



**Ian Laughlin**  
**Deputy Chairman**

29 May 2014

**To: Appointed Actuaries and Chief Executive Officers of general insurers**

**Financial Condition Report under *Prudential Standard GPS 320 Actuarial and Related Matters***

Background

Prior to January 2013, a general insurer had to submit the Financial Condition Report (FCR) required under *Prudential Standard GPS 320 Actuarial and Related Matters* (GPS 320) to APRA within four months of its financial year-end.

As part of the life and general insurance capital review (LAGIC), APRA made changes to the due date to require a general insurer to submit the FCR within three months of its financial year-end. This harmonised the requirements for the general and life insurance industries.

In order to give insurers time to adapt their processes, APRA phased-in the new due date. FCRs for financial years ending up until 31 March 2014 were required to be submitted within four months of the financial year-end (i.e. no change from the previous due date), with the change effective from balance dates of 1 April 2014 onwards. This provided all insurers with two balance dates from release of APRA's final position to work toward meeting the three-month timeframe.

APRA notes that there were some submissions during LAGIC that opposed APRA's position, citing a strain on key actuarial resources and difficulties with presenting results to the Board prior to the due date. APRA noted its view in the LAGIC response paper that insurers should be able to meet the three-month timeframe if given a staged implementation and that the shorter timeframe is expected to increase the usefulness of the document to the Board.

Current situation

Over recent months, a number of Appointed Actuaries have approached APRA requesting that we reconsider our position on the FCR due date. The reasons provided include availability of information from within the insurer that is needed for the FCR, the impact on the quality of the document and the ability of Board and senior management to give the FCR meaningful time and consideration.

### APRA position

APRA is keen for the Board (and APRA) to receive information about the financial condition of an insurer from the Appointed Actuary within a relatively short time from the end of the financial year. However, APRA accepts that there are ways of achieving this outcome other than the submission of the FCR within a three-month timeframe. Some ideas on this have been raised with APRA and were discussed at the recent Appointed Actuaries forum. These include changing the timing of other reports, amending the reports required to be completed by the Appointed Actuary and/or requiring the Appointed Actuary to instead engage with APRA on an informal basis and then make the formal submission of the FCR at a later time.

As a result, APRA has decided to undertake an holistic review of the requirements of Appointed Actuaries and general insurers in relation to the FCR, Insurance Liability Valuation Report (ILVR) and other related reports such as the Internal Capital Adequacy Assessment Process (ICAAP) Report. In the review, APRA will consider the written and verbal feedback received to date and also learnings from the first round of submission of ICAAP Reports. APRA will also engage with actuaries, senior management and Boards on the usefulness and optimal timing of these reports and alternative ways to engage with Appointed Actuaries on the financial condition of the insurer.

**Given the proposed review, APRA will permit FCRs to be lodged with APRA up to four months after an insurer's balance date, for balance dates up to and including 31 March 2015.** The formal adjustment to GPS 320 to enact this amendment is attached to this letter and can be found with GPS 320 on APRA's website at:

[www.apra.gov.au/GI/PrudentialFramework/Pages/prudential-standards.aspx](http://www.apra.gov.au/GI/PrudentialFramework/Pages/prudential-standards.aspx).

This adjustment does not affect or amend any other prudential requirements of insurers. For example, the ILVR and the review of the run-off plan (where applicable) are still due to APRA within three months of the financial year-end. In addition, a FCR that is combined with an ILVR will need to be submitted within the three-month timeframe. APRA expects insurers to continue to work on a best endeavours basis to provide the FCR to the Board and APRA as close as practical to the three-month timeframe whilst still maintaining the quality of the document.

If you have any feedback on the timing of FCRs or the review of the prudential requirements, contact Kate Bible ([kate.bible@apra.gov.au](mailto:kate.bible@apra.gov.au)). If you have any questions in relation to your specific insurer, contact your Responsible Supervisor.

Yours sincerely





## **Notice of Adjustment to Reporting Requirements under *Prudential Standard GPS 320 Actuarial and Related Matters***

I, Ian Laughlin, a delegate of APRA, under paragraph 79 of *Prudential Standard GPS 320 Actuarial and Related Matters* (GPS 320), and pursuant to subsection 4(2) of the *Acts Interpretation Act 1901* and subsection 13(1) of the *Legislative Instruments Act 2003*, ADJUST the prudential requirements in paragraph 12 of GPS 320 in relation to the general insurer in the manner specified in the attached Schedule.

This instrument comes into force on 30 May 2014.

Dated 29 May 2014

Ian Laughlin

Deputy Chairman

### **Interpretation**

In this Notice

*APRA* means the Australian Prudential Regulation Authority.

*the general insurer* means the company receiving this notice by way of letter headed:

29 May 2014

*To: Appointed Actuaries and Chief Executive Officers of general insurers*

*Financial Condition Report under Prudential Standard GPS 320 Actuarial and Related Matters*

## Schedule

The requirements in paragraph 12 of *Prudential Standard GPS 320 Actuarial and Related Matters* in respect of the general insurer are adjusted so that paragraph 12 now reads:

12. Under the Act, an insurer must submit to APRA all reports required to be prepared by its Appointed Actuary.<sup>7</sup> An insurer must submit to APRA:
- (a) reports relating to a special purpose review in accordance with the time specified in paragraph 44;
  - (b) unless otherwise specified under paragraph 25 or paragraph 40, the Financial Condition Report<sup>8</sup>:
    - (i) for financial years ending up to and including 31 March 2015, within four months of the end of the insurer's financial year; or
    - (ii) for financial years ending after 31 March 2015, within three months of the end of the insurer's financial year<sup>9</sup>; and
  - (c) unless otherwise specified under paragraph 25 or paragraph 40, any other reports:
    - (i) for financial years ending up to and including 31 March 2014, within four months of the end of the insurer's financial year; or
    - (ii) for financial years ending after 31 March 2014, within three months of the end of the insurer's financial year.<sup>9a</sup>

### Footnotes

<sup>7</sup> Refer to section 49L of the Act.

<sup>8</sup> This Prudential Standard sets out further detail regarding these reports.

<sup>9</sup> In exceptional cases, an insurer may apply, and APRA may grant in writing, an extension of time within which this report is to be provided to APRA.

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