



15 December 2010

To All APRA-regulated life insurance companies including friendly societies

CONVERSION OF PRUDENTIAL RULES TO PRUDENTIAL STANDARDS

As part of the Government's response to *Rethinking Regulation: the Report of the Taskforce on Reducing Regulatory Burdens on Business (Rethinking Regulation)*, the *Financial Sector Legislation Amendment (Simplifying Regulation and Review) Act 2007 (SRR Act)* made significant changes to the Life Act. This included the requirement that prudential rules be phased out by 1 July 2011 and replaced by prudential standards.

Accordingly, APRA has converted the remaining prudential rules to prudential standards, namely *Prudential Standard LPS 600 Statutory Funds* and *Prudential Standard LPS 700 Friendly Society Benefit Funds*. Guidance previously contained within the prudential rules is now included in a new prudential practice guide, *LPG 700 Friendly Society Benefit Funds*. The Prudential Standards and the prudential practice guide can be downloaded from APRA's website at www.apra.gov.au.

Details of the mapping of the prudential rules to the new standards, including the minor changes that have been made as part of the conversion process, are set out in Attachment A. In summary:

- *LPS 600 Statutory Funds* applies to all life companies, other than friendly societies, and sets out requirements relating to statutory funds. It incorporates the relevant parts of *Prudential Rule 36 Restructure of Statutory Funds*, *Prudential Rule 50 Revised Starting Amounts* and *LPS 900 Consolidation of Prudential Rules Nos 15, 18, 22, 27 and 28*.
- *LPS 700 Friendly Society Benefit Funds* applies to all life companies that are friendly societies and sets out requirements relating to benefit funds. It incorporates the requirements contained in Prudential Rules 36 to 45 and *LPS 902 Approved Benefit Fund Requirements*.
- *LPG 700 Friendly Society Benefit Funds* incorporates the guidance material contained in *LPS 902 Approved Benefit Fund Requirements* and the explanatory statements to the prudential rules.

In undertaking the conversion, content that was previously included in the body of the prudential rule that related to making applications to APRA has been converted into forms. These forms are included at the end of each prudential standard.

This conversion does not materially change the requirements on industry. The new prudential standards commence on 1 July 2011.

Yours sincerely

Charles Littrell
Executive General Manager
Policy, Research and Statistics

Attachment A

Prudential Standard LPS 600 Statutory Funds		
Prudential Rules		Changes made - machinery in nature
PR 36	Restructure of Statutory Funds	Prudential Rule 36 has been split into two parts. LPS 600 covers matters relevant to life companies and LPS 700 covers matters relevant to friendly societies. The reference to Prudential Rule 47 has been removed as this prudential rule has been revoked.
PR 50	Revised Starting Amounts	Prudential Rule 50 has been merged with the starting amount content previously contained in LPS 900 and included in LPS 600.
LPS 900	Consolidation of Prudential Rules Nos. 15, 18, 22, 27 and 28	LPS 900 was a consolidation of Prudential Rules Nos. 15, 18, 22, 27 and 28. Its entire contents have been incorporated in LPS 600 with minimal change.
Prudential Standard LPS 700 Friendly Society Benefit Funds		
Prudential Rules		Changes made - machinery in nature
PR 36	Restructure of Statutory Funds	As noted above, the part of Prudential Rule 36 which is relevant to friendly societies has been included in LPS 700. Reference to Prudential Rule 47 has been removed as this prudential rule has been revoked.
PR 37	Termination of Statutory Funds	A minor wording change has been made to paragraph 2 of Part 1 of the Schedule to Prudential Rule 37 which referred to “restructure” and has been altered to “termination”. The reference to Prudential Rule 47 has been removed as this prudential rule has been revoked.
PR 38	Restructure and Termination of Statutory Funds - Transitional Matters	Prudential Rule 38 will be revoked and will not be incorporated in LPS 700.
PR 39	Adequate Adoption of Benefit Fund Rules or Amendments of Approved Benefit Fund Rules	The words “or a class of members as determined by APRA” in the sentence “a special resolution of the members of the friendly society (or a class of members as determined by APRA) in accordance with section 9 of the Corporations Act 2001” have been inserted. This provision is now aligned with the Life Act (section 16B).
PR 40	Approval of Benefit Fund Rules	Incorporated into LPS 700 without change.

PR 41	Approval of Amendment of Approved Benefit Fund Rules	The words “or a class of members as determined by APRA” in the sentence “a special resolution of the members of the friendly society (or a class of members as determined by APRA) in accordance with section 9 of the Corporations Act 2001” have been inserted. This provision is now aligned with the Life Act (section 16B).
PR 42	Approval of Amendment of Approved Benefit Fund Rules as Required by APRA	Incorporated into LPS 700 without change.
PR 43	Approval of Consequential Amendments of Company’s Constitution	Incorporated into LPS 700 without change
PR 44	Approval of Consequential Amendments of Company’s Constitution as Required by APRA	Incorporated into LPS 700 without change
PR 45	Joint Investments of Friendly Society Approved Benefit Funds	Incorporated into LPS 700 without change
PR 46	Single Bank Account for Friendly Society Approved Benefit Funds	Incorporated into LPS 700 without change
LPS 902	Approved Benefit Fund Requirements	Incorporated into LPS 700 without change