

General Manager  
Data Analytics and Insights  
Cross-Industry Insights and Data Division  
Australian Prudential Regulation Authority

Swiss Re Life & Health Australia  
Limited  
ABN 74 000 218 306&  
Level 36, Tower Two,  
International Towers Sydney  
200 Barangaroo Avenue  
Sydney NSW 2000 Australia  
Phone +61 2 8295 9500  
Fax +61 2 8295 9600  
swissre.com

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**Written submission with regards to APRA's draft reporting standards**

Dear Sir or Madam

Here is Swiss Re's combined feedback and recommendations with regards to APRA's draft reporting standards. Swiss Re welcomes a discussion with APRA on any of the topics in our response.

Yours sincerely,



**On behalf of Swiss Re Life & Health Australia Limited, Swiss Re Asia Pte. Ltd., Australia Branch and Swiss Re International SE, Australia Branch**

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#### A. Feedback on discrete quarterly reporting requirement

APRA has indicated that they require discrete quarterly reporting as from 1 July 2023. Swiss Re is interpreting it that APRA is requesting 3 months of results and not referring to the accounting policy choice regarding CSM, which can be done on a year-to-date or period-by-period basis.

Swiss Re's accounting and subledger systems are set-up to produce CSM results based on the year-to-date methodology. When reporting the discrete quarterly reporting to APRA our numbers would be the difference of year-to-date results at quarter end less the year-to-date results at the previous quarter end.

*Swiss Re recommends that the discrete quarterly reporting requirement is clarified in the reporting standards.*

#### B. Feedback with regards to draft Life Regulatory forms:

*Note the feedback is following the review of the draft Life forms but would also be relevant to the general insurance forms as these are very consistent.*

##### 1. Fund identifier workbook:

Swiss Re has two statutory funds, one for reinsurance business (SF2) and one for direct business (SF1). The current drop-down options under Fund Sub-Type on the data validation tab does not provide an option that would be relevant to direct business.

Can APRA please add a relevant sub-type for direct insurance or clarify which option from the current list of Fund Sub-Types should be used for direct business.

Life Company Fund Sub-Type	
+	
List	
No	
Specialist reinsurer	
Non-specialist reinsurer	
Defined benefit (DB) - Surplus to members only	
Defined benefit (DB) - Surplus to management fund only	
Defined benefit (DB) - Surplus to members or management fund	
Defined contribution (DC) - Surplus to members only	
Defined contribution (DC) - Surplus to management fund only	
Defined contribution (DC) - Surplus to members or management fund	
Not applicable	

##### 2. LRS 200 Capital Adequacy Supplementary Information

In addition to what is currently requested by APRA and in the previous QIS, APRA has additionally requested for the following information:

- Unstressed RFBEL 12 months after the reporting date (discounted back to reporting date) for both inforce and new business
- Actual annual loss ratio components - All benefits (inforce and new business)
- Expected annual loss ratio components - All benefits (inforce and new business)

- Actual quarterly loss ratio components - All benefits

Swiss Re would like to clarify APRA's intention of asking for the additional information and its relevance to an insurer's capital adequacy.

### 3. LRS 300 Statement of financial Position

#### 3.1. 4.1 Unused tax losses

Swiss Re maintains the overall deferred tax asset or liability in its accounting systems, the unused tax losses are maintained in Swiss Re's tax calculations and records.

***Recommendation:***

Our recommendation is not to split these out in the APRA returns, or only request the unused tax losses on an annual basis when the Statutory returns have been completed.

4. Total deferred tax assets =	Sum 4.1 Unused tax losses + 4.2 Other
4.1 Unused tax losses	
4.2 Other deferred tax assets	

### 4. LRS 310.0 Statement of profit or loss and other comprehensive income

#### 4.1. Recommending combining the following lines into one line as they are currently reported separately in LRS 310.

***Currently reflecting:***

Incurred claims

Other insurance service expense

***Recommendation:***

Incurred claims and other insurance service expense

***Currently reflecting:***

Impairment of assets for insurance acquisition cash flows

Reversal of impairment of assets for insurance acquisition cash flows

***Recommendation:***

Impairment losses/reversals on insurance acquisition cash flows

Note the above incurred claims and other insurance service expense are also combined in the LRS 320 Part A RF1 template which would create consistency between the forms.

### 5. LRS320 (new) Liability roll forwards

#### 5.1. Recommending combining the following two lines which is currently reported separately in LRS 320.0 Part A RF1:

***Currently reflecting:***

Impairment of assets for insurance acquisition cash flows

Reversal of impairment of assets for insurance acquisition cash flows

***Recommendation:***

Impairment losses/reversals on insurance acquisition cash flows

**5.2. Recommending that LRS 320.0 Part B RF1 should include an additional column for Assets for insurance acquisition cash flows:**

This will create consistency with LRS 320.0 Part A RF1.

**5.3. Recommendation: LRS 320.0 Part B RF1 add additional column for 'Assets for insurance acquisition cash flows':**

This will ensure consistency between Part A and Part B.

**5.4. LRS 320.0 Part A RF1 Under 'Changes that relate to future services' to add additional line label:**

***Recommendation:***

Include additional line for 'Impairment losses/reversals on insurance acquisition cash flows'

**5.5. LRS 320.0 Part B RF1 recommending changing the following headings:**

**Recommendation to change headings:**

From **Loss component** (AASB 17.98 and AASB 17.100(b)) to **Loss-recovery** component

From **Excluding loss component** (AASB 17.98 and AASB 17.100(a)) to **Excluding loss-recovery** component

**5.6. LRS 320.0 Part B RF1 Label 11. Cost of retroactive cover on reinsurance contracts held**

**Recommendation:**

To remove label 11. Cost of retroactive cover on reinsurance contracts held, this label should be included in label 4. Reinsurance expenses: Allocation of premiums paid to the reinsurer.

**5.7. Cash flow section (across both Part A/B and RF1/2)**

Swiss Re recommends that entities should be allowed to follow the same approach for grouping cash flow labels as per their statutory accounts. The groupings should be consistent across Part A & B and RF 1 & 2. Applying a different approach for statutory vs regulatory cash flows would create unnecessary complexities.

**5.7.1. LRS 320.0 Part B RF1 recommending under cash flows to include expenses paid as part of recoveries from reinsurance:**

This recommendation will ensure consistency with the Part a roll forward templates.

***Currently reflecting:***

Premium cash flows net of ceding commissions and other directly attributable expenses paid

Recoveries from reinsurance

***Recommendation:***

Premium paid (net of ceding commissions)

Recoveries from Reinsurance (claims & directly attributable expenses)

**5.7.2. LRS 320.0 Part B RF2 recommending changes under cash flow section to ensure consistency with Part B RF1:**

***Currently reflecting:***

Premiums paid for reinsurance contracts held

Amounts received

***Recommendation:***

Premiums paid net of ceding commissions

Recoveries from Reinsurance (claims & directly attributable expenses)

**5.8. LRS 320.0 Part B RF2, recommending simplification of labels 8.-11. that forms part of the 'Total changes that relate to future services'.**

This recommendation will also ensure consistency with Part A RF2 templates and clarifies what is required in this section of the form.

***Currently reflecting:***

Changes that relate to future services
8. Contracts initially recognised in the period
9. Changes in recoveries of losses on onerous underlying contracts that adjust the CSM
10. Changes in estimates that adjust the CSM
11. Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts
12. Total changes that relate to future services

***Recommendation:***

Removing labels 9. and 11. above in red and replacing with line 9 below i.e., 'Changes in estimates that do not adjust the CSM i.e., losses on groups of onerous contracts and reversals of such losses'

Changes that relate to future services
8. Changes in estimates that adjust the CSM
9. Changes in estimates that do not adjust the CSM i.e. losses on groups of onerous contracts and reversals of such losses
10. Contracts initially recognised in the period

**5.9. LRS 340.2 Retained profits and Share Capital**

The LRS340.2 form needs to allow for additional retained profit movements otherwise the transition impact from implementing AASB 17&9 as well as other reserve movements will all be grouped into the other retained earnings movement:

Recommend that the following movements should be allowed for:

- OCI movements
- Other reserve movements (foreign currency translation)
- IFRS 17/9 transition impact

The LRS 340.2 form is on a life company level and does not seem to be in line with the requirements as specified in LPS 600. LPS 600 indicates that we would need to disclose

the transition impacts on adoption date (01/01/2023) on a statutory fund level, however this is not reflected in the current form.

**6. LRS 420 Assets backing policy liabilities**

In the draft LRS 420 form APRA is only requesting assets backing certain product groups which is different from the current APRA form where we had to provide assets backing all product groups. Can APRA clarify the reason for the change?

**7. LRS 114 Asset Risk Charge**

Currently, Row 29 (total liabilities) within the Playback tab sums up all charges from row 30 to 36. This summation excludes "Adjusted policy liabilities (net of reinsurance) - exclude discretionary component". Can APRA please confirm whether the "Adjusted policy liabilities (net of reinsurance) - exclude discretionary component" (row 37) can also be included as part of total liabilities?

**8. LRS 200 Capital adequacy supplementary information**

**8.1. LRS200 Table 3 (Unstressed NB RFBEL as at 12 months after reporting date - discounted back to reporting date)**

APRA has requested for CICIP reserve and IBNR reserve to be reported separately between in-force and new business as at 12 months after reporting date discounted back. As Swiss Re looks to address this requirement in its new accounting and subledger system, it would be appreciated if APRA could clarify the intention of requesting for all policy liabilities items at its most granular level for both in-force and new business, and whether if it will be acceptable to report CICIP and IBNR on a combined basis for new business forecast.

**8.2. Table 14 (Actual quarterly loss ratio components - All benefits - All business)**

APRA has currently required Table 14 to be submitted only on a quarterly basis. Can APRA please clarify if Table 14 is also needed as part of insurer's annual submission, like Table 9? Or will insurer be able to provide an annual submission without this table.

**8.3. Actual Gross claims Incurred**

APRA has requested for actual gross claims incurred, defined as "actual claims incurred over the reporting period". Can APRA please clarify the purpose of obtaining this information and whether this should also include impact of assumptions change on the in-force portfolio over the reporting period? Swiss Re has currently included the latter as part of this QIS submission.

**C. Feedback with regards to Draft General Insurance Regulatory forms:**

*Note the feedback is following the review of the draft General Insurance Reporting forms.*

**1. Duplication of data collection across various forms:**

Swiss Re has observed various data points being collected across multiple reporting forms in the same level of detail adding no value but simply requiring a transposition or duplication of that data between forms. Swiss Re would encourage APRA to consider if the following data collections are necessary:

#### *GRS\_110.1 Prescribed Capital Amount*

This form request input of additional details related to the " 3. Asset Risk Charge" and " 5. Operational Risk Charge" that are already captured in those respective forms. There doesn't appear to be any value in additionally including this extra detail in this form that is not used for calculating the prescribed capital amount.

#### *GRS\_300.0 Statement of Financial Position*

The statement of financial position requests input of additional splits of the "7. Insurance Contract Assets", "8. Reinsurance Contract Assets", "18. Insurance Contract Liabilities" and "19. Reinsurance Contract Liabilities" between incurred claims and remaining coverage. This information is already available in the GRS\_320 Part A and B roll forward 1 disclosures.

#### *GRS\_310.0 Statement of profit or loss and other comprehensive income*

The statement of profit or loss requests input of insurance revenue and insurance service expense by direct and reinsurance, plus additional line items for insurance service expense. This information is already available in the GRS\_311.0 Statement of Profit or Loss and Other Comprehensive Income by Product Group.

#### *GRS\_410.0 Movement in Outstanding Claims Liabilities*

By collecting 10 years of data for the Movement in Net OCL on an undiscounted basis, this is much more closely aligned to the GRS\_440.0 Claims Development Table. Given how close the extent of the data and years align it would be preferable to retain only one such table and if necessary, include Net OCL in the GRS\_440 disclosure, period on period APRA would already have the movement in its systems so that information should not need to be lodged.

#### *GRS\_600.0 Supplementary capital data disclosure*

APRA has advised that unearned premium and deferred reinsurance balances would not be required following the QIS. We note items such as Gross and Net OCL, Non-reinsurance and Reinsurance recoveries are balances already available within the GRS\_115.0 Outstanding Claims Liabilities – Insurance Risk Charge disclosure form and would represent a duplication of effort in providing in two separate forms.

## **2. Discrete quarter reporting period:**

APRA has made it very clear and Swiss Re believes the industry understands APRA's intention to collect discrete quarter reporting going forward, i.e. results for 3 months only in the case of the income statement and associated disclosures.

Swiss Re views the reporting standards as not accurately reflecting this desire and would encourage APRA to review the wording of each reporting standard to make it clear a discrete quarter is to be reported.

One area we have observed to be inconsistent to the broad approach of discrete quarter reporting is the GRS\_600.0 Supplementary capital data disclosure. This form contains the same wording as GRS\_310.0 in relation to the financial period, refer paragraphs 6 through

9, but at various places clearly states figures should be provided on a year-to-date basis or opening balances should be for the beginning of the financial year.

It would be appreciated if APRA could additionally clarify the intent with this disclosure form especially if it is intended to be on a different basis to all the other disclosure forms.

### **3. Specific draft reporting and capital form observations:**

#### *GRS\_115.1 Premiums Liabilities – Insurance Risk Charge*

The inclusion of the column "Commission" within the premium liabilities risk charge calculation seems to be in contrast to the premium liabilities risk charge calculation in the past where the net premium liability related to future claim payments arising from future events including expenses expected to be incurred in administering and settling such claims.

Swiss Re is concerned this could lead to an increase in this the premium liabilities risk charge which goes against the capital neutrality intended under the AASB 17 alignment program. Swiss Re would appreciate clarification on what commission is expected to be included in this calculation.

#### *GRS\_600.0 Supplementary capital data disclosure*

Swiss Re appreciates that not all aspects of this form will continue beyond the QIS, which contributes to the efficiency of the industry. However, the extent of the information being collected essentially represents a continuation of the existing AASB 1023 reporting framework. We would view this as leading to a dual reporting environment that does not currently exist for some entities. This does not lead to efficiency within the industry, rather leading to a further regulatory burden on insurers. Swiss Re would encourage APRA to reconsider the extent of data collected in GRS\_600.0 and focus on deriving appropriate metrics from the AASB 17 framework.