



Reporting Standard LRS 115.0

Insurance Risk Charge

Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA in relation to calculating a life insurance company's Insurance Risk Charge.

It includes associated specific instructions and must be read in conjunction with *Reporting Standard LRS 001 Reporting Requirements* (LRS 001), including the general instruction guide, and *Prudential Standard LPS 115 Capital Adequacy: Insurance Risk Charge* (LPS 115).

Authority

1. This Reporting Standard is made under section 13 of the *Financial Sector (Collection of Data) Act 2001*.

Purpose

2. The information reported to APRA under this Reporting Standard is used by APRA for the purpose of prudential supervision including assessing compliance with capital adequacy standards.

Application and commencement

3. This Reporting Standard applies to all life insurance companies including friendly societies (together referred to as 'life companies') registered under the *Life Insurance Act 1995* (Life Act). This Reporting Standard applies for reporting periods commencing on or after 1 July 2023.

Information required

4. A life company must provide APRA with the information required by this Reporting Standard for each reporting period.
5. The information reported to APRA under this Reporting Standard is not required to be given to policy owners pursuant to section 124 of the Life Act. It does not constitute a reporting document for the purposes of section 124.

Method of submission

6. The information required by this Reporting Standard must be given to APRA:
 - (a) in electronic format using an electronic method available on APRA's website; or
 - (b) by a method notified by APRA prior to submission.

Reporting periods and due dates

7. Subject to paragraph 8, a life company must provide the information required by this Reporting Standard:
 - (a) in respect of each quarter based on the financial year of the life company on an unaudited basis; and
 - (b) in respect of each financial year of the life company on an audited basis.

Note 1: This means that information provided under this Reporting Standard will be submitted five times for a full financial year.

Note 2: The annual audited information provided under this Reporting Standard must be submitted in conjunction with the annual auditor's report, as required under *Prudential Standard LPS 310 Audit and Related Matters*.

8. If, having regard to the particular circumstances of a life company, APRA considers it necessary or desirable to obtain information more or less frequently than as provided by subparagraph 7(a) or 7(b), APRA may, by notice in writing, change the reporting periods, or specify reporting periods, for the particular life company.
9. The information required by this Reporting Standard in respect of a life company must be provided to APRA:
 - (a) in the case of quarterly information, within 20 business days after the end of the reporting period to which the information relates;
 - (b) in the case of annual information, within three months after the end of the reporting period to which the information relates; or
 - (c) in the case of information provided in accordance with paragraph 8, within the time specified by notice in writing.
10. APRA may, in writing, grant a life company an extension of a due date, in which case the new due date will be the date on the notice of extension.

Note: For the avoidance of doubt, if the due date for a particular reporting period falls on a day other than a usual business day, a life company is nonetheless required to submit the information required no later than the due date.

Quality control

11. The information provided by a life company under this Reporting Standard must be the product of systems, processes and controls that have been reviewed and tested by the Auditor of the life company. This will require the Auditor to review and test the life

company's systems, processes and controls supporting the reporting of the information to enable the life company to provide reliable financial information to APRA. This review and testing must be done on:

- (a) an annual basis or more frequently if necessary to enable the Auditor to form an opinion on the reliability and accuracy of data; and
 - (b) at least a limited assurance engagement consistent with professional standards and guidance notes issued by the Auditing and Assurance Standards Board as may be amended from time to time, to the extent that they are not inconsistent with the requirements of *Prudential Standard LPS 310 Audit and Related Matters*.
12. All information provided by a life company under this Reporting Standard must be subject to systems, processes and controls developed by the life company for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the life company to ensure that an appropriate set of policies and procedures for the authorisation of data submitted to APRA is in place.
13. Actuarial valuations and calculations included in or used in the preparation of the information provided to APRA must be in accordance with the prudential standards in force for the reporting period. However, life companies may use reasonable estimates when preparing information that will not be audited (i.e. for the first four submissions of information for a full financial year).

Authorisation

14. When an officer or agent of a life company provides the information required by this Reporting Standard using an electronic format, the officer or agent must digitally sign the relevant information using a digital certificate acceptable to APRA.
15. An officer or agent of a life company who submits information under this Reporting Standard must be authorised by either:
- (a) the Principal Executive Officer of the life company; or
 - (b) the Chief Financial Officer of the life company.

Variations

16. APRA may, by written notice to the life company, vary the reporting requirements of this Reporting Standard in relation to that life company.

Transition

17. A life company must report under the old reporting standard in respect of a transitional *reporting period*. For these purposes:

old reporting standard means the reporting standard revoked in the determination making this Reporting Standard; and

transitional reporting period means a reporting period under the old reporting standard:

- (a) which commenced before 1 July 2023; and
- (b) in relation to which the life company was required, under the old reporting standard, to report by a date on or after the date of revocation of the old reporting standard.

Note: For the avoidance of doubt, if a life company was required to report under an old reporting standard, and the reporting documents were due before the date of revocation of the old reporting standard, the life company is still required to provide any overdue reporting documents in accordance with the old reporting standard.

Interpretation

18. In this Reporting Standard:

- (a) unless the contrary intention appears, words and expressions have the meanings given to them in *Prudential Standard LPS 001 Definitions* (LPS 001); and
- (b) the following definitions are applicable:

Auditor means an auditor appointed under paragraph 83 of the Life Act.

capital adequacy standards means the prudential standards which relate to capital adequacy as defined in LPS 001.

Chief Financial Officer means the chief financial officer of the life company, by whatever name called.

financial year has the meaning in the *Corporations Act 2001*.

general instruction guide refers to the general instruction guide set out in Attachment A of LRS 001.

Life Act means the *Life Insurance Act 1995*.

Principal Executive Officer means the principal executive officer of the life company, by whatever name called, and whether or not he or she is a member of the governing board of the entity.

reporting period means a reporting period under subparagraph 7(a) or 7(b) or, if applicable, paragraph 8.

- 19. Unless the contrary intention appears, a reference to an Act, Prudential Standard, Reporting Standard, Australian Accounting or Auditing Standard is a reference to the instrument as in force from time to time.

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General instructions

Reporting tables

Tables described in this reporting form list each of the data fields required to be reported. The data fields are listed sequentially in the column order that they will appear in the reported data set. Constraints on the data that can be reported for each field have also been provided.

Any specific combination of values in the table must not appear on more than one row in that table when reported.

Definitions

Terms highlighted in ***bold italics*** indicate that the definition is provided in these instructions.

A

<i>Additional deficiency from prescribed servicing expense stress</i> <i>(Insurance Risk Charge component)</i>	This is the additional deficiency arising (if any) in management fees relative to servicing expenses from the application of the servicing expense stress over and above the expected deficiency as determined in <i>expected deficiency (before prescribed multiplier)</i> .
<i>Adjusted policy liabilities (gross of reinsurance)</i> <i>(Insurance Risk Charge component)</i>	This is the total adjusted policy liabilities determined in accordance with <i>Prudential Standard LPS 112 Capital Adequacy: Measurement of Capital</i> (LPS 112), gross of reinsurance.
<i>Adjusted policy liabilities (net of reinsurance)</i> <i>(Insurance Risk Charge component)</i>	This is the total adjusted policy liabilities determined in accordance with LPS 112, net of reinsurance.

E

<p><i>Expected deficiency (before prescribed multiplier)</i></p> <p><i>(Insurance Risk Charge component)</i></p>	<p>This is the expected deficiency in management fees and the servicing expenses expected to arise over the period of 12 months subsequent to the reporting date.</p>
<p><i>Expected deficiency (post prescribed multiplier)</i></p> <p><i>(Insurance Risk Charge component)</i></p>	<p>This is the expected deficiency in management fees received relative to the servicing expenses incurred over the next 12-month period, post the application of the prescribed multiplier.</p>
<p><i>Expected management fees</i></p> <p><i>(Insurance Risk Charge component)</i></p>	<p>This is the total amount of management fees expected to be received by the management fund from benefit funds.</p> <p>The reported <i>expected management fees</i> must allow for the effect of any assumed <i>reduction in management fees assumed under asset and/or insurance stress</i> and should cover the period of 12 months subsequent to the reporting date.</p>
<p><i>Expected servicing expenses</i></p> <p><i>(Insurance Risk Charge component)</i></p>	<p>This is the amount of servicing expenses incurred by the management fund in relation to the life insurance activities of the friendly society.</p> <p>The reported amount should cover the period of 12 months subsequent to the reporting date.</p>

I

<p><i>Insurance benefit</i></p>	<p>This is the type of <i>insurance benefit</i> that a life policy can include. Life companies must report data items by <i>insurance benefit</i> where required. <i>Insurance benefit</i> can either be:</p> <ul style="list-style-type: none"> • non-participating benefits; • participating benefits; or • friendly society benefits. <p>Non-participating benefits can either be:</p>
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	<ul style="list-style-type: none"> • non-participating benefits without entitlement to discretionary additions; or • non-participating benefits with entitlement to discretionary additions.
<i>Insurance Risk Charge component</i>	This is a component which forms part of the Insurance Risk Charge calculation.
<i>Insurance Risk Charge - tax benefits</i> <i>(Insurance Risk Charge component)</i>	For a statutory fund or benefit fund of a life company, this is the total tax benefits arising from the increase in <i>adjusted policy liabilities (net of reinsurance)</i> to <i>stressed policy liabilities (net of reinsurance)</i> due to the application of insurance risk stresses.
<i>Insurance Risk Charge - tax benefits (FS)</i> <i>(Insurance Risk Charge component)</i>	For the management fund of a friendly society, this is the tax benefits arising from the inclusion of the servicing expense reserve in liabilities. Admissibility of tax benefits will be assessed in calculating the prescribed capital amount.

L

<i>Life company fund</i>	<p>This means the type of <i>life company fund</i>. Possible types are:</p> <ul style="list-style-type: none"> • statutory fund; and • benefit fund.
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R

<i>Reduction in management fees assumed under asset and/or insurance stress</i> <i>(Insurance Risk Charge component)</i>	This is the amount of reduction in management fees to be paid by the benefit funds to the management fund that has been assumed in response to the asset risk and insurance risk stress scenarios.
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S

<i>Stressed policy liabilities (gross of reinsurance)</i> <i>(Insurance Risk Charge component)</i>	This is the total value of <i>stressed policy liabilities</i> across all product groups within the fund that is determined in accordance with LPS 115, gross of reinsurance.
<i>Stressed policy liabilities (net of reinsurance)</i> <i>(Insurance Risk Charge component)</i>	This is the total value of <i>stressed policy liabilities</i> across all product groups within the fund that is determined in accordance with LPS 115, net of reinsurance.

T

<i>Total servicing expense reserve</i> <i>(Insurance Risk Charge component)</i>	This is the servicing expense reserve component of the Insurance Risk Charge.
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Specific instructions

Table 1: Insurance Risk Charge

Reporting basis

This table applies to life companies including friendly societies. Data must be submitted at the level of each individual statutory fund for life insurers and each benefit fund for friendly societies. Report all information as at the reporting date.

Units of measurement

The values in this table must be completed in whole Australian dollars (no decimal place).

	Name	Valid values	Description
1	Life Company Fund Type	<ul style="list-style-type: none"> Statutory fund Benefit fund 	Report <i>life company fund</i> .
2	Life Company Fund Name	Free text	Report the name of <i>life company fund</i> .
3	Insurance Risk Charge Component Type	<ul style="list-style-type: none"> <i>Adjusted policy liabilities (gross of reinsurance)</i> <i>Adjusted policy liabilities (net of reinsurance)</i> <i>Stressed policy liabilities (gross of reinsurance)</i> <i>Stressed policy liabilities (net of reinsurance)</i> <i>Insurance Risk Charge - tax benefits</i> 	Report <i>Insurance Risk Charge component</i> type.
4	Insurance Benefit	<ul style="list-style-type: none"> Non-participating benefits without entitlement to discretionary additions Non-participating benefits with entitlement to discretionary additions Participating benefits 	Report <i>insurance benefit</i> .

	Name	Valid values	Description
		<ul style="list-style-type: none"> Friendly society benefits 	
5	Insurance Risk Charge Component Amount	Whole dollars	<p>Report <i>Insurance Risk Charge component</i> amount.</p> <p>Report <i>Insurance Risk Charge - tax benefits</i> as a positive value where tax benefits are recognised.</p>

Table 2: Insurance Risk Charge – Friendly Societies**Reporting basis**

This table applies to friendly societies only. Data must be submitted at the level of the management fund.

Report all information as at the reporting date.

Units of measurement

The values in this table must be completed in whole Australian dollars (no decimal place).

	Name	Valid values	Description
1	Life Company Fund Name	Free text	Report the name of <i>life company fund</i> .
2	Insurance Risk Charge Component Type	<ul style="list-style-type: none"> • <i>Expected management fees</i> • <i>Reduction in management fees assumed under asset and/or insurance stress</i> • <i>Expected servicing expenses</i> • <i>Expected deficiency (before prescribed multiplier)</i> • <i>Additional deficiency from prescribed servicing expense stress</i> • <i>Expected deficiency (post prescribed multiplier)</i> • <i>Total servicing expense reserve</i> • <i>Insurance Risk Charge - tax benefits (FS)</i> 	Report <i>Insurance Risk Charge component</i> type.
3	Insurance Risk Charge Component Amount	Whole dollars	<p>Report <i>Insurance Risk Charge component amount</i>.</p> <p>Report <i>Insurance Risk Charge - tax benefits (FS)</i> as a positive value where tax benefits are recognised.</p>

	Name	Valid values	Description
			Report <i>reduction in management fees assumed under asset and/or insurance stress</i> as a positive figure where a reduction in management fees has been assumed.