



Data Collection and Reporting Requirements White Paper

Ebix Confidential and Proprietary

This document and the information contained therein are confidential to and the property of Ebix Australia Pty Ltd. This information is made available to Ebix customers for the sole purpose of conducting the company's business and is not to be disclosed without prior written consent. All rights reserved.

Table of Contents

Background	1
Form 701 – Table 1	1
Form 701 – Table 2	1
Reporting Duplication.....	1
Lodgement.....	2
Ebix Software Considerations	3
Client Maintenance Requirements	3
Insurer Configuration Requirements	3
Risk Configuration Requirements	5
Policy Processing Requirements	6
APRA Reporting Requirements.....	7
Form 701 – Table 1	8
Premium Definition:	8
Reporting columns:.....	9
Form 702 – Table 2	11
Reporting columns:.....	11

Background

In 2008, ASIC outlined new reporting requirements for DOFIs (Direct Offshore Foreign Insurers) and DMFs (Discretionary Mutual Funds). Whilst these requirements covered the data collection component, the final reporting requirements were to be finalised.

In September 2009, a new discussion paper was issued outlining revised reporting requirements for UFIs (Unauthorised Foreign Insurers). This document replaced the original requirements for DOFIs / DMFs.

The new legislation (amendment to the Corporations Act - Dec 2009) requires all AFS licensed general insurance intermediaries to comply with new data collection and reporting obligations. The licensees will be required to collect and provide data in two reports. Form 701 Table 1 is a requirement for all AFS licensees. Table 2 is an additional report to Table 1 and is required for policies placed with an UFI.

Form 701 – Table 1

This report requires **all** AFS licensees who deal in general insurance to provide aggregate details of the total premiums invoiced in the reporting period. The report is broken into the following types of placements:

- APRA authorised insurers
- UFIs (Unauthorised Foreign Insurers)
- Lloyd's underwriters

This report must be submitted even if the licensee only places with APRA authorised insurers.

Form 701 – Table 2

This report requires 'transactional level data' for all policies placed with an UFI during the reporting period. This report is **only** required by licensees which place policies with an UFI.

The report will contain transactional data consisting of; Transaction Type, Client Code, Policy Code, Invoice Date, Effective Date, APRA Class of business, Premium, Currency, UFI Name, UFI Country Code, DOFI Exemption Type and Reason (if applicable).

Reporting Duplication

These regulations aim to avoid duplication of data. Only the licensee dealing directly with the insurer, Lloyd's underwriter or UFI, will be required to report the related policy placement. Where a foreign intermediary and an AFS licensee are involved in the same dealing with the UFI, the AFS licensee has the obligation to report the related policy placement.

Lodgement

The first reporting period under the new regulations will be 1st May 2010 to 30th June 2010. The first lodgement must be submitted within 40 business days of the end of the reporting period.

After the 30th June 2010, reporting will be on a bi-annual basis (1st Jan & 1st July for 6 month periods). Reports must then be lodged within 20 business days of the end of the relevant reporting period.

APRA will be acting as an agent of the Australian Securities and Investments Commission (ASIC) in the data collection process.

AFS licensed insurance intermediaries that only have to submit Form 701 – Table 1, can do so either electronically or in paper form (via mail, email or in person).

For those intermediaries that have data relating to Form 701 – Table 2, both Table 1 and 2 must be submitted electronically. Paper form is not acceptable.

The APRA electronic data submission system (D2A – Direct to APRA) will be used for electronic submissions. Please see APRA's website for system and licensing requirements for this system; <http://www.apra.gov.au/Statistics/D2A/Home.cfm>. The system is available to all licensees at no cost.

Only one data submission is allowed per Table per reporting period for each AFS Licensee. Where no data is collected during the reporting period, a nil return is still required.

If the licensee fails to submit their reports or to correct errors / omissions in the data, this will be a breach of the licensee's AFS licence obligations.

Ebix Software Considerations

This paper identifies the software considerations in relation to the above legislative changes.

Based on the control or configuration setting for 'APRA Reporting, the Broking application will provide support for new reporting requirements. These controls/settings are generally referred to as 'Global System Parameters', 'Control Panel Settings' or 'Registration Options'.

The following Data Collection requirements outlined below, will assume that this new APRA Reporting control/setting is active.

Client Maintenance Requirements

The Client Maintenance within the Broking System will be enhanced to incorporate a new compliance flag 'ASIC Type'. The available ASIC Types identified as part of the legislative changes are:

- **High-value Insured**

Applies to all corporations, partnerships or trusts that has total group operating revenue or assets of \$200 million or more or employees of 500 or more.

- **Atypical Risks**

Exempt classes (High Risk i.e. Nuclear, Terrorism, Shipowners P&I). Please refer to regulations for specific risks.

- **Foreign Law,**

Placement is subject to foreign law.

- **Customised**

Exemption that cannot be placed in the Australia market (requires application to ASIC).

- **Not Applicable**

The system will either assume that no value or blank is not applicable or alternatively as part of the release process, all existing records will be set to 'Not Applicable'.

Insurer Configuration Requirements

The Insurer Maintenance component within the Broking System will be reviewed to ensure that the following Form 701 – Table 1 reporting categories can be identified:

- Domestic or General Insurers (APRA authorised)
- Lloyd's underwriters

- Unauthorised Foreign Insurer (UFIs)
- General insurance intermediary (placed indirectly).

If these categories cannot be identified via existing categories/insurer types, a new prompt will be introduced 'APRA Type'. This category is required for all Insurer Types (General Insurers, Captives, Underwriting Agencies, Wholesale Brokers, Supporting Insurers & Reinsurers).

UFI (Unauthorised Foreign Insurer):

A new control 'ASIC Type' will be required, where the Insurer category is identified as a 'UFI' (as above).

The available ASIC Types identified as part of the legislative changes are:

- **Atypical Risks**, exempt classes (High Risk i.e. Nuclear, Terrorism, Shipowners P&I). Please refer to regulations for specific risks.
- **Foreign Law**, placement is subject to foreign law.
- **Customised**, exemption that cannot be placed in the Australia market (requires application to ASIC).
- Not Applicable
The system will either assume that no value or blank is not applicable or alternatively as part of the release process, all existing records will be set to 'Not Applicable'.

APRA has indicated the following order of reporting precedence, this will be determined based on the Client ASIC Type first, followed by the Insurer ASIC Type:

- 1st – High Value Insured
- 2nd – Atypical
- 3rd – Foreign Law
- 4th – Customised

If a UFI applies to more than one Insurer ASIC Type, each type will need to be setup as a separate Insurer record. Therefore only the Client ASIC Type will be compared to the Insurer ASIC Type to determine reporting precedence.

Another new control 'Country Code' will be required, where the Insurer category is identified as an 'UFI' (as above). This is based on the ISO 3166-1 English Country Names and Codes. For example:

AF	AFGHANISTAN
AX	ALAND ISLANDS
AL	ALBANIA
DZ	ALGERIA

AS AMERICAN SAMOA

General insurance intermediary (placed indirectly):

A new control 'Foreign' will be required, where the Insurer category is identified as 'General insurance intermediary' (Underwriting Agency or Wholesale Broker). This is used to identify whether the entity is based locally or overseas.

Another new control 'Placement Type' will be required, where the Insurer category is identified as a 'General insurance intermediary' (Underwriting Agency or Wholesale Broker).

The available Placement Types identified as part of the legislation changes are:

- **Mandatory Supporting Insurer Details** – This flags that Supporting Insurer details will be mandatory when processing a policy. It will not be possible to leave blank and advise at a later time.
- **General Insurer Placement** – This flag indicates that all placements are underwritten 100% with APRA authorised general insurers. This option is not allowed where the Foreign control is advised as 'Y'.
- **Lloyds Placement** – This flag indicates that all placements are underwritten 100% with Lloyds cover holders.
- **UFI Placement** – This flag indicates that all placements are underwritten 100% with a UFI(s).

If a general insurance intermediary places with a mixture of general insurers, Lloyds or UFI(s), then the first option 'Mandatory Supporting Insurers' should be used.

Where the 'General insurance intermediary' is flagged as Foreign, the data collected will be represented based on the Placement Flag or the Supporting Insurer details advised in either [Row b](#) or [c](#) of Table 1 (please refer to APRA reporting requirements below).

Where the 'General insurance intermediary' is flagged as **not** Foreign (local), the data collected will be represented in [Row d](#) of Table 1 (please refer to APRA reporting requirements below).

Risk Configuration Requirements

The Risk Maintenance component within the Broking System will be modified to incorporate new controls 'APRA Class' and 'Atypical Class'. These are optional controls.

The available APRA Classes identified as part of the legislative changes are:

- Homeowners/householders
- Commercial motor vehicle
- Domestic motor vehicle
- Travel
- Fire and ISR
- Marine (other than Shipowners P&I)
- Aviation (other than liability)

- Mortgage
 - Consumer Credit
 - Other accident
 - Public and product liability
 - Professional Indemnity
 - Employers liability
 - CTP motor vehicle
 - Other
 - Not Applicable
- The system will either assume that no value or blank, is not applicable or alternatively as part of the release process, all existing records will be set to 'Not Applicable'.

The available Atypical APRA Classes identified as part of the legislative changes are:

- Nuclear
- Biological
- War
- Terrorism
- Medical clinical trials
- Space
- Aviation Liability
- Shipowners P&I other than for pleasure crafts
- Equine insurance (not including equestrian packages)

The Broking Application will enable the types (code) and descriptions to be maintained. This will enable additional classes to be catered for in the future.

NOTE: These APRA Classes and Atypical APRA Classes are only required for placements involving an UFI. Therefore, not all Risks must be updated for the new field. See Policy processing requirements, for validation of the APRA Class where an UFI is involved on the policy placement.

Policy Processing Requirements

There is no direct relationship between the Client ASIC Type, the Insurer ASIC Type and Risk APRA Class until the Cover is processed.

When processing the Cover which relates to a UFI (Insurer Category) whether as the principal insurer or under co-insurance, the following conditions will apply:

- Where the Client ASIC Type is either non-blank or not equal to 'Not Applicable', the Client ASIC Type should take precedence over the Insurer ASIC Type.
- The Policy Processing will enforce that the following settings must exist to enable completion of a UFI's transaction:
 - Insurer or Client (if applicable) ASIC Type must be set.
 - Risk APRA Class must be set. 'Not Applicable' or a blank value, are not allowed.

- The above requirements only relate to financial transactions (excludes Quotations, Lapses, Voids and Converted Takeons).
- Policy Processing will display the UFI settings, but will not allow these to be updated as part of the transaction process. Any changes will be required to be made to either the Client, Insurer or Risk settings so that the transaction can then be finalised.
- The following additional information will be required.
 - Where the Client ASIC Type is set to 'High-value Insured', the following fields will be requested:

HVI Category: (Asset, Revenue or Employee)

HVI Value: (value format ###,###,###, employees format #,###,###)

Where multiple threshold categories apply, then the applicable threshold must be selected in this order: 'Assets'; 'Revenue'; 'Employee'.
 - Where the Client (if applicable) or Insurer ASIC Type is equal to 'Atypical', the Atypical APRA Risk Class must be specified. If not specified, the transaction cannot be proceed. This Atypical APRA Risk Class will be defaulted from the Risk (if specified).
 - Where the Client (if applicable) or Insurer ASIC Type is equal to 'Customised', the user will be required to advise a reason description. This can either be 'Availability', 'Terms' or 'Other'.
 - Where the Client (if applicable) or Insurer ASIC Type is equal to 'Foreign Law', no additional information is required.
 - It has been suggested for Cancellations, that the user be restricted from changing the Exemption specific information (HVI limb, HVI Value, Atypical APRA Risk Class, Customised Reason). However, it is possible for a Cancellation to be the first reported transaction for a policy, therefore this information needs to be accessible.

Where the Insurer is identified 'General insurance intermediary', the Policy Process will validate the Insurer Placement Type. This field cannot be blank, if advised as 'Mandatory Supporting Insurer', the Policy process will enforce that the Supporting Insurer details are advised to enable completion of the transaction.

Where the Insurer is identified 'General insurance intermediary' and has been flagged as 'Foreign' and Supporting Insurers are advised, these **must be** categorised as Lloyds Underwriter or a UFI.

APRA Reporting Requirements

APRA have provided Draft reporting requirements only at the time of publishing this whitepaper. Please see the examples provided below. Based on the implementation of the Data Collection requirements above, then the following reporting requirements can be supported.

Form 701 – Table 1

Form 701 - Table 1 will be based on all invoiced transactions processed within the Reporting period advised. Using the Insurer Configuration requirements, all Insurers will be aggregated into the following categories:

- Domestic or General Insurers (APRA authorised) – Row a.
- Lloyd’s underwriters – Row b.
- Unauthorised Foreign Insurer (UFIs) – Row c.

Any policies placed indirectly with another local general intermediary (Underwriting Agency or Wholesale Broker), will be reported separately – Row d.

Where the general intermediary (Underwriting Agency or Wholesale Broker) is flagged as ‘Foreign’, these will be reported in Row b or c based on the Supporting Insurer details (if advised) or the Placement Type advised for this Insurer.

Note: If an Insurer has not been advised as one of the above three categories, it will be assumed as ‘Domestic or General Insurer’ (APRA authorised).

Premium Definition:

Premium definition provided by APRA:

- exclusive of government levies (such as tax payable by insurers under the *Insurance Protection Act 2001 (NSW)*);
- exclusive of amounts collected on behalf of third parties (such as GST, stamp duty or fire services levies)
- net of any premium refunds and rebates;
- exclusive of additional charges payable to the insurer, for example ‘survey charges’ or ‘fees for underwriting agencies’;
- inclusive of amounts payable to general insurance intermediaries by insurers as commissions (for example, acquisition costs); and
- inclusive of non-resident withholding tax.

On the basis of the definition above, this would be the Company or Base Premium component before any deductions or additions of Taxes, Levies, Charges or Commissions. The example below shows the Net Due to a UFI, the reported premium in this example would be \$915.00.

Company Premium	\$915.00
Less Brokerage 20.0000 %	\$183.00
Less non-residents Tax	\$27.45
NET DUE	\$704.55

The Premium is to be reported into whole dollars, no decimals required.

For Foreign Currency transactions, these need to be converted to the Australian dollar base currency using the applicable exchange at the date of the transaction.

For Co-insurance, the premiums need to be allocated to the applicable row. For example, if a policy was placed 60% with a domestic insurer and 40% with a UFI. 60% of the Base Premium would be reflected in [Row a](#) and 40% in [Row c](#).

For Multi Client Invoicing, this is where a parent organisation, group head or landlord is the primary cover holder and elects for individual subsidiaries, divisions or tenants to be billed a component or percentage of the overall premiums. In this case, there is one Policy with multiple debtor invoices. For the purposes of these reporting requirements, only the primary cover holder for 100% of the premium will be reflected.

For Instalment Billing, this is where the Premium is spread-out over an instalment plan (monthly, quarterly or bi-annual) and usually invoiced a number of days prior to the due date of each instalment. This transaction type has an impact on both Table 1 and Table 2 reporting. For the purposes of these reporting requirements, each individual instalment will be reflected. This will ensure that the reports reconcile to standard financial reports based on billed or invoiced premiums.

Note: This could result in multiple instalments being included for one Policy in the same reporting period. Instalments are not specifically identified in Table 2.

Reporting columns:

(Examples provided on a reporting period of 1/5/2010 to 30/6/2010).

'Total invoiced this reporting period'	The overall total of this column should represent the Total Base Premium for invoiced covers (regardless of Effective Date) processed during the reporting period. All transactions should be represented across Rows a to d (where applicable) and should be the total of columns a, b, & c.
'Effective this reporting period'	Where the Effective Date of the Policy transaction is within the Reporting Period (such as 1/6/2010), these transactions must be aggregated in this column
'Effective after the reporting period'	Where the Effective Date of the Policy transaction is after the Reporting Period (such as 1/7/2010), these transactions must be aggregated into this column.
'Effective before the reporting period'	Where the Effective Date of the Policy transaction is prior to the Reporting Period (such as 30/4/2010), these transactions must be aggregated into this column).

The following Table examples are sourced from the 'Draft form instruction guide v2.0' provided by APRA – January 2010.

Table 1:

The table below shows how Table 1 should be completed based on the above example transactions. The figures contained in the example for row c are expected to match what has been reported in Table 2.

Total business placed with APRA- authorised general insurers, Lloyd's underwriters and unauthorised foreign insurers	Premium invoiced this reporting period			
	Effective this reporting period	Effective after the reporting period end	Effective before the reporting period start	Total invoiced this reporting period
	a	b	c	d
a. Business placed directly by the general insurance intermediary with APRA-authorised general insurers	3000000	250000	50000	3300000
b. Business placed directly or indirectly through a foreign intermediary by the general insurance intermediary with Lloyd's underwriters	300000	70000	30000	400000
c. Business placed directly or indirectly through a foreign intermediary by the general insurance intermediary with unauthorised foreign insurers	481870	43400	33555	558825
d. Business placed indirectly through another general insurance intermediary by the general insurance intermediary with:				
i. APRA-authorised general insurers; or	12000	5000	3000	20000
ii. Lloyd's underwriters; or				
iii. Unauthorised foreign insurers				
Total	3793870	358555	126400	4278825

Form 702 – Table 2

Form 701 - Table 2 will be based on individual invoiced transactions processed within the Reporting period advised relating only to UFIs. The Overall Total Premium for Table 2 must correspond to Table 1 column 'Total invoiced this reporting period' for [Row c](#).

Where a Policy transaction or share of a transaction has not been placed with an UFI this will not be included in this report.

This report is **only** required by licensees which place policies directly or indirectly (via a foreign intermediary) with an UFI. If no transactions are placed with an UFI Form 702 – Table 2 will not need to be submitted. Where transactions are placed with an UFI but not within the reporting period a nil return must be lodged.

The Premium definition outlined for Table 1 is identical for Table 2.

Reporting columns:

'Policy Transaction Type'	New or Renewal Policies = 'New policy/renewal'. Cancellation or Returned Premium = 'Cancellation' Alteration / Endorsement / Adjustment = 'Adjustment/Endorsement'
	Note: The report will include all financial transactions invoiced within reporting period. Nil premium or non-financial transaction types (Policy Term Lapse) are not to be included.
'Client Code'	Broking System Client Number or Reference.
'Invoice Date'	Invoice or Transaction Date (in format CCYYMMDD)
'Effective Date'	Effective Date of the applicable transaction (in format CCYYMMDD)
'APRA Class'	APRA Class captured within the Policy Processing Requirements.
'Premium'	Company or Base Premium. For Co-Insurance this needs to reflect the percentage of the Company or Base Premium relating to the specific UFI. Where more than one UFI exists on a single Policy more than one line will appear in the report.
'Currency of premium'	All transactions are to be represented in the Australia Dollar Base Currency. See Premium Definition above.
'UFI name'	Full Name of the UFI from the Insurer Configuration. Where more than one UFI exists on a single Policy more than one line will appear in the report.

'UFI country code'	Country Code of the UFI from the Insurer Configuration.
'UFI exemption type'	ASIC Type captured within the Policy Processing Requirements.
'HVI limb'	HVI Category captured within the Policy Processing requirements (where applicable).
'HVI value'	HVI Value captured within the Policy Processing requirements (where applicable).
'Atypical Risk'	Atypical APRA Risk Class captured within the Policy Processing Requirements (where applicable).
'Customised Reason'	Customised Reason captured within the Policy Processing requirements (where applicable).

The table below gives nine examples of transactions that should be recorded in Table 2 based on the below example transactions. The transactions recorded in Table 2 are expected to match the figures contained in row c and for the purposes of this example the total for illustration 3 in the worked example for table 1.

Example	Rows	Example description
1	A	A new fire and ISR policy falling into the atypical risk nuclear category. It is placed directly with a UFI. The policy is effective in this reporting period.
2	B to C	A new public and product liability policy. The insured has operating revenue of \$250 million. It is placed indirectly through a foreign intermediary and shared between two UFIs. The policy is effective in this reporting period.
3	D	A renewal for an employers' liability policy placed with a UFI through a foreign intermediary due to foreign law insurance requirements. The policy is effective after the reporting period end.
4	E	A new commercial motor policy placed directly with a single UFI. Insurance for this risk is not available in the Australian market. The policy is effective in this reporting period.
5	F to G	A new aviation policy using the atypical exemption for aviation liability. The policy is placed directly with two UFIs. The policy is effective after the reporting period end.
6	H to K	A renewal for a fire and ISR policy. The insured has gross assets of \$850 million and operating revenue of \$1 billion. The policy is placed directly with one UFI, and with through a foreign intermediary with another three UFIs. The policy is effective before the reporting period start

7	L to O	A new policy covering fire and ISR, public liability, and commercial motor. The insured has gross assets of \$400 million. The policy is placed through a foreign intermediary with three UFIs. The policy is effective in this reporting period.
8	P	A cancellation of a fire and ISR policy effective in this reporting period of which the original premium was reported in a previous reporting period. The cancelled premium is AUD\$25,000. The policy was placed through a foreign intermediary with a UFI. The insured has operating revenue of \$700 million. The cancellation is effective in this reporting period.
9	Q	An endorsement to an aviation policy of which the original premium was reported in a previous reporting period. The additional premium is AUD\$12,200. The policy falls into the atypical risk aviation category. The policy was placed directly with a UFI. The endorsement is effective in this reporting period.
10	R	A new policy covering fire & ISR effective this reporting period. The policy was placed directly with a UFI. The insured has gross assets of \$600 million. The premium is USD\$150,000. The commercial AUD/USD exchange rate as at the date of invoicing was \$0.85.

Table 2:

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Policy transaction type	Client code	Policy code	Invoice date	Effective Date	APRA class of business	Premium	Currency of premium	UFI name	UFI country code	Exemption type	HVI limb	HVI value (#)	Atypical risk class	Customised reason
A	New/policy renewal	DF343AF	FISR3A-8	20101109	20101120	Fire & ISR	100000	AUD	Property Insurance Inc	UK	Atypical			Nuclear	
B	New/policy renewal	44657925	PL34D-A4	20101024	20101101	Public liability	6000	AUD	Liability Link	BM	HVI	Revenue	250		
C	New/policy renewal	44657925	PL34D-A4	20101024	20101101	Public liability	24000	AUD	Board Cover	BM	HVI	Revenue	250		
D	New/policy renewal	465G343A	EPL33-F	20101229	20110101	Employers' liability	2400	AUD	FirstBoss Ins Co	MY	Foreign				
E	New/policy renewal	BA435D	CMR65-4	20101001	20101001	Commercial motor	52000	AUD	Alaskan Motor	US	Custom				Availability
F	New/policy renewal	CSA534I	MA345	20101228	20110101	Aviation	20500	AUD	Howzat Aviation	BM	Atypical			Aviation	
G	New/policy renewal	CSA534I	MA4449	20101228	20110101	Aviation	20500	AUD	AviSafe	UK	Atypical			Aviation	
H	New/policy renewal	AA434B	FISR3354 A	20100820	20100630	Fire & ISR	5555	AUD	Corporal Insure	BM	HVI	Assets	850		
I	New/policy renewal	AA434B	FISR9983	20100820	20010630	Fire & ISR	8000	AUD	Cat Protect	BM	HVI	Assets	850		
J	New/policy renewal	AA434B	FISR9983	20100820	20100630	Fire & ISR	8000	AUD	Silver Bullet Inc	US	HVI	Assets	850		
K	New/policy renewal	AA434B	FISR552G	20100820	20100630	Fire & ISR	12000	AUD	XYZ Insurance	BM	HVI	Assets	850		
L	New/policy renewal	CLI59239	FISR8573	20100931	20100915	Fire & ISR	40200	AUD	Cat Protect	BM	HVI	Assets	400		
M	New/policy renewal	CLI59239	PL16E-A4	20100931	20100915	Public liability	30500	AUD	Liability R Us	US	HVI	Assets	400		
N	New/policy renewal	CLI59239	PL16E-A4	20100930	20100915	Public liability	55500	AUD	Inter Munich Ins.	DE	HVI	Assets	400		
O	New/policy renewal	CLI59239	CMR85-2	20100930	20100915	Commercial Motor	10000	AUD	Inter Munich Ins.	DE	HVI	Assets	400		
P	Cancellation	BB57863	FISR66-B	20100731	20100720	Fire & ISR	-25000	AUD	Corporal Insure	BM	HVI	Revenue	700		
Q	Endorsement /adjustment	BR563L	MA-165	20101115	20100930	Aviation	12200	AUD	AviSafe	UK	Atypical			Aviation	
R	New policy / renewal	AB56R	FISR49-C	20100101	2010101	Fire & ISR	176470	AUD	Insurance Bermuda Group	BM	HVI	Assets	600		