

# Delivering on our promises

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Capital Adequacy Disclosure

31 March 2024



**TAL**



It's important to us that our customers have confidence in our ability to deliver on the promises we make to them. This means ensuring we are in a strong financial position to pay claims to our customers when they need us.

**Why this matters for you as a customer**

- Our ability to pay claims is at the heart of what we do.
- It's important that we can demonstrate our ability to pay claims, even under extreme or unexpected financial conditions.

**What you need to know as a customer**

- As a life insurer, we hold capital (this means money in the form of bank deposits and Government and corporate bonds) to make sure we have enough money available to pay claims.
- We are regulated by the Australian Prudential Regulation Authority (APRA). APRA sets rules on how much capital we need to hold to ensure we can cover our claims commitments to our customers even under extreme and unexpected financial circumstances. This is called the **Prescribed Capital Amount**. [See A below](#).
- At TAL Life Insurance Services Limited (TLIS) we hold more capital than is needed so our customers can feel confident in our ability to keep our promises. This is called our **Capital Base**. Our Capital Base consists entirely of Common Equity Tier 1 (CET1) capital, and does not include any Additional Tier 1 or Tier 2 capital. CET1 is the highest quality of the different types of capital that a life insurer can hold. [See B below](#).
- It is important that B is greater than A. We measure that by calculating a **Capital Adequacy Multiple**. This is simply **B** divided by **A** expressed as a percentage. [See C below](#).

**TLIS Capital Base and Prescribed Capital Amount**

A	B	C
\$274m	\$820m	299%
<b>Prescribed Capital Amount (PCA)</b>	<b>Capital Base</b>	<b>Capital Adequacy Multiple</b>

**TLIS's Capital Adequacy Multiple is 299%.**

TLIS holds more capital than is required by APRA. So as a TLIS customer you can feel confident in our ability to deliver on our promises.



## Want to get into the detail?

### More detail on the capital we hold

- Our Capital Base is spread across three funds.
- Each TLIS insurance policy is assigned to one of two statutory funds.
- Every time a claim is paid out, we draw on assets from one of these statutory funds.
- If you would like to know which fund your policy falls under, please check your PDS.

## TLIS Capital Base and Prescribed Capital Amount (PCA)

	CAPITAL BASE <sup>1</sup>	PRESCRIBED CAPITAL AMOUNT	CAPITAL ADEQUACY MULTIPLE
Statutory Fund 1 (\$m)	808	274	295%
Statutory Fund 2 (\$m)	10	2	>1,000%
Shareholder's Fund (\$m)	2	0	>1,000%
<b>Total (\$m)</b>	<b>820</b>	<b>274</b>	<b>299%</b>

### More detail on the Prescribed Capital Amount (PCA)

- The PCA is made up of four components. Each component is designed by APRA to protect against different types of risks, including:
  - **Insurance risk charge** protects against possible losses arising from higher claims and associated costs.
  - **Asset risk charge** protects against possible losses relating to our investments.
  - **Operational risk charge** protects against unexpected events encountered in the course of running our business.

## Components of Prescribed Capital Amount

	STATUTORY FUND 1	STATUTORY FUND 2	SHAREHOLDER'S FUND	TOTAL
Insurance Risk Charge (\$m)	169	0	0	169
Asset Risk Charge (\$m)	57	0	0	57
Operational Risk Charge (\$m)	37	0.3	0	37
Other <sup>2</sup> (\$m)	11	0	0	11
<b>Total Prescribed Capital Amount (\$m)</b>	<b>274</b>	<b>0.4</b>	<b>0</b>	<b>274</b>

### Notes:

1. The capital base for TLIS is made up entirely of Common Equity Tier 1 ("CET1"). CET1 are TLIS's net assets less regulatory adjustments of: SF1 -\$109m and SF2 \$5m.
2. Other includes: Aggregation Benefit: SF1: -\$37m and SF2: nil; Combined Single Scenario Adjustment of SF1 \$48m; SF2: nil; and Asset Concentration Risk Charge: nil.