Capital disclosures

For the year ended 30 June 2024 in terms of Prudential Standard GPS 110 Capital Adequacy, Para 40

Avant Insurance Limited (AIL) is subject to minimum capital requirements prescribed by the Australian Prudential Regulation Authority's (APRA) Prudential Standards for medical indemnity insurers. AIL maintains a target level of surplus capital in excess of that minimum. This is to ensure that, under a range of adverse circumstances, AIL would be expected to be able to meet its existing and future obligations to members and other creditors, in the context of a viable ongoing operation.

The following tables provide the capital adequacy of AIL calculated in accordance with APRA's Prudential Standards[1]:

	2024 $'million	2023 $'million
Eligible Tier 1 Capital as defined by APRA		
Contributed equity	223.7	223.7
Reserves	66.6	66.6
Retained profits[2]	107.9	154.1
Total equity	**398.2**	**444.4**
Insurance liability (deficit) surplus	(50.8)	36.7
Regulatory adjustments	59.7	(34.9)
APRA capital base	**407.1**	**446.2**
Asset risk charge	83.5	93.1
Insurance risk charge	121.4	117.9
Insurance concentration risk charge	25.0	27.0
Operational risk charge	19.9	19.1
Aggregation benefit	(47.4)	(50.7)
APRA prudential capital requirement	**202.4**	**206.4**
APRA capital adequacy multiple	**2.01**	**2.16**

APRA Prudential Standard GPS 340 *Insurance Liability Valuation* requires that AIL establish reserves on a basis that would be expected to secure the insurance contract liabilities of the insurer at a 75% level of sufficiency.

The value of the insurance contract liabilities for incurred claims and premium liabilities required by GPS 340 differs from the accounting for the insurance contract liabilities, for the following reasons:

i. The prudential margin for outstanding claims under GPS 340 and the AASB 17 – *Insurance Contracts* (AASB 17) risk adjustment for the liability for incurred claims are set at the same probability of sufficiency of 75% (restated FY23: 75%). AASB 17's liabilities are discounted at a higher discount rate, reflecting the inclusion of an illiquidity premium; and

ii. GPS 340 requires an assessment of the premium liability. The surplus or deficit between the premium liabilities per APRA's requirements and the liability for remaining coverage per AASB 17 is included in Tier 1 capital.

1 The information in the table is consistent with that as provided in AIL's audited financial statements for the year ended 30 June 2024.

2 Retained profits are measured in accordance with APRA's Prudential Standards. Changes to retained profits as a result of the adoption of AASB 17 have not been restated in the APRA return for 2023.