Capital disclosures

For the year ended 30 June 2020 in terms of Prudential Standard GPS 110 Capital Adequacy

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 show the capital adequacy of the AIL calculated in accordance with APRA prudential standards.

	2020 $'million	2019 $'million
Eligible Tier 1 Capital as defined by APRA		
Contributed equity	215.6	215.6
Retained profits[1]	130.2	137.1
Insurance liability surplus	29.4	30.3
Total equity	375.2	383.0
Less: APRA deductions	(17.5)	(16.5)
APRA capital base	**357.7**	**366.5**
Asset risk charge	66.6	67.5
Insurance risk charge	111.0	101.7
Insurance concentration risk charge	24.2	24.2
Operational risk charge	18.9	17.4
Aggregation benefit	(39.6)	(39.1)
APRA prudential capital requirement	**181.1**	**171.7**
APRA capital adequacy multiple	**1.98**	**2.13**

Insurance Liability Surplus

APRA Prudential Standard GPS 210 *Liability Valuation for General* requires that the Company establish reserves on a basis that would be expected to secure the insurance liabilities of the insurer at a 75% level of sufficiency.

The value of the insurance liabilities for outstanding claims required by GPS 210 for capital adequacy purposes differs from accounting purposes for the following reasons:

i. GPS 210 requires a prudential margin with a probability of sufficiency of 75% (the level adopted by the Company for accounting purposes is 85% (2020: 85%); and

ii. GPS 210 requires an assessment of premium liability (unearned premium less deferred acquisition costs, deferred reinsurance expense and ROCS levy is used for accounting purposes). The surplus between the premium liabilities per APRA requirements and premium liabilities per AASB1023 Premium Liabilities is included in Tier 1 capital.

1 Retained profits are in accordance with APRA Prudential Standards.