

Hallmark's Capital Adequacy Disclosure

31 August 2023



Publication Date: 30 November 2023



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Hallmark

Hallmark has historically issued a variety of life insurance and general insurance products.

These policies were issued by Hallmark Life Insurance Company Ltd ABN (87 008 446 884) (**HLIC**) and Hallmark General Insurance Company Ltd ABN (82 008 477 647) (**HGIC**).

Purpose of this Report

To protect the interests of policy owners, APRA issues Prudential Standards with which life and general insurance companies must comply.

Life Insurance Prudential Standard 110 applies to life insurance companies such as HLIC and General Insurance Prudential Standard 110 applies to general insurance companies such as HGIC.

These standards require a life or general insurer to maintain adequate capital against the risks associated with its activities.

The Standards also require Hallmark to publish certain financial information about its capital position, as contained in this report.

This document is available on St Andrew's website:

<http://www.standrews.com.au/>

Hallmark Life Insurance Company Ltd (HLIC)

The below items have been calculated as at 31 August 2023.

HLIC Disclosures (\$'000)				
	Statutory Fund No. 1	Statutory Fund No. 2	General Fund	Total
Common Equity Tier 1 Capital	10,055	1,083	1,118	12,256
Add / (subtract) regulatory adjustments to Common Equity Tier 1 Capital	140	116	-	256
Add Tier 2 Capital eligible instrument	5,000	-	-	5,000
Total Capital Base	15,195	1,199	1,118	17,512
Insurance Risk Charge	598	168	-	766
Asset Risk Charge	142	6	2	150
Asset Concentration Risk Charge	-	-	-	0
Operational Risk Charge	104	29	-	133
Aggregation Benefit	(98)	(4)	-	(102)
Combined Stress Scenario Adjustment	311	74	1	386
Additional amount to meet company minimum	-	-	-	8,667
Prescribed Capital Amount	1,057	273	3	10,000
Capital Adequacy Multiple	14.4	4.4	559.0	1.8

Hallmark General Insurance Company Ltd (HGIC)

The below items have been calculated as at 31 August 2023.

HGIC Disclosures (\$'000)	
Common Equity Tier 1 Capital	12,655
Add / (subtract) regulatory adjustments to Common Equity Tier 1 Capital	(169)
Add Tier 2 Capital eligible instrument	7,500
Total Capital Base	19,986
Insurance Risk Charge	1,039
Insurance Concentration Risk Charge	5,228
Asset Risk Charge	1,705
Asset Concentration Risk Charge	-
Operational Risk Charge	353
Aggregation Benefit	(1,156)
Additional amount to meet company minimum	-
Prescribed Capital Amount	7,169
Capital Adequacy Multiple	2.79

Glossary

Term	Definition
APRA	The Australian Prudential Regulatory Authority (APRA) oversees banks, credit unions, building societies, general insurance and life insurance companies, reinsurance companies, friendly societies and most members of the superannuation industry.
Capital Adequacy Multiple	The Capital Adequacy Multiple is equal to the Capital Base divided by the Prescribed Capital Amount.
Capital Base	The Capital Base consists of paid-up ordinary shares and shareholder retained profits reduced by items which APRA does not deem eligible for inclusion, including Deferred Acquisition Costs and Deferred Tax Assets.
Common Equity Tier 1 Capital	Common Equity Tier 1 Capital is the highest quality capital available, reflecting the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises ordinary share capital, retained earnings and reserves, less prescribed deductions.
Common Equity Tier 2 Capital	Tier 2 Capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 Capital but nonetheless contribute to the overall strength of an insurance company and its capacity to absorb losses.
General Fund	The General Fund is the shareholder's fund of a life insurance company.
Prescribed Capital Amount	The Prescribed Capital Amount is a measure of the capital requirement of an insurance company.
Regulatory Adjustments	Regulatory Adjustments are applied to assets using a prescribed methodology for the purposes of calculating the Capital Base.
Statutory Fund	A Statutory Fund of a life insurance company is a fund that: (a) is established in the records of a life company; and, (b) relates solely to the life insurance business of the company or a particular part of that business.