



Reporting Standard GRS 114.0

Asset Risk Charge

Objective of this Reporting Standard

This Reporting Standard sets out requirements for the provision of information to APRA relating to a general insurer's asset risk charge.

It includes associated specific instructions and must be read in conjunction with *Reporting Standard GRS 001 Reporting Requirements* (GRS 001), including the general instruction guide, and *Prudential Standard GPS 114 Capital Adequacy: Asset Risk Charge* (GPS 114).

Authority

1. This Reporting Standard is made under section 13 of the *Financial Sector (Collection of Data) Act 2001*.

Purpose

2. The information reported to APRA under this Reporting Standard is used by APRA for the purpose of prudential supervision including assessing compliance with the capital standards.

Application and commencement

3. This Reporting Standard applies to all general insurers authorised under the *Insurance Act 1973* (insurers). This Reporting Standard applies for reporting periods ending on or after 1 July 2023.

Information required

4. An insurer must provide APRA with the information required by this Reporting Standard for each reporting period.

Method of submission

5. The information required by this Reporting Standard must be given to APRA:
 - (a) in electronic format using an electronic method available on APRA's website; or

(b) by a method notified by APRA prior to submission.

Reporting periods and due dates

6. Subject to paragraph 7, an insurer must provide the information required by this Reporting Standard:

(a) in respect of each quarter based on the financial year of the insurer; and

(b) in respect of each financial year of the insurer.

Note: The annual information required from an insurer by paragraphs 4, 5 and 6(b), together with certain annual information required by other reporting standards, will form part of the insurer's yearly statutory accounts within the meaning of section 3 of the Insurance Act. This means that the information must be audited in accordance with paragraph 49J(1)(a) of the Insurance Act. Under subsection 49J(3), the principal auditor of the insurer must give the insurer a certificate relating to the yearly statutory accounts, and that certificate must contain statements of the auditor's opinions on the matters required by the prudential standards to be dealt with in the certificate.

7. If, having regard to the particular circumstances of an insurer, APRA considers it necessary or desirable to obtain information more or less frequently than as provided by subparagraph 6(a) or 6(b), APRA may, by notice in writing, change the reporting periods, or specify reporting periods, for the particular insurer.

8. The information required by this Reporting Standard in respect of an insurer must be provided to APRA:

(a) in the case of quarterly information, within 20 business days after the end of the reporting period to which the information relates;

(b) in the case of annual information, within three months after the end of the reporting period to which the information relates; or

(c) in the case of information provided in accordance with paragraph 7, within the time specified by notice in writing.

Note: Paragraph 49L(1)(a) of the Insurance Act provides that the auditor's certificate required under subsection 49J(3) of that Act must be lodged with APRA in accordance with the prudential standards. The prudential standards provide that the certificate must be submitted to APRA together with the yearly statutory accounts. Accordingly, the auditor's certificate relating to the annual information referred to in subparagraph 6(b) must be provided to APRA by the time specified in GRS 001 (unless an extension of time is granted under GRS 001).

9. APRA may, in writing, grant an insurer an extension of a due date in paragraph 8, in which case the new due date will be the date on the notice of extension.

Note: For the avoidance of doubt, if the due date for a particular reporting period falls on a day other than a usual business day, an insurer is nonetheless required to submit the information required no later than the due date.

Quality control

10. The information provided by an insurer under this Reporting Standard must be the product of systems, processes and controls that have been reviewed and tested by the

Appointed Auditor of the insurer. This will require the Appointed Auditor to review and test the insurer's systems, processes and controls designed to enable the insurer to report reliable financial information to APRA. This review and testing must be done on:

- (a) an annual basis or more frequently if necessary to enable the Appointed Auditor to form an opinion on the reliability and accuracy of data; and
 - (b) at least a limited assurance engagement consistent with professional standards and guidance notes issued by the Auditing and Assurance Standards Board as may be amended from time to time, to the extent that they are not inconsistent with the requirements of *Prudential Standard GPS 310 Audit and Related Matters*.
11. All information provided by an insurer under this Reporting Standard must be subject to systems, processes and controls developed by the insurer for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the insurer to ensure that an appropriate set of policies and procedures for the authorisation of data submitted to APRA is in place.

Authorisation

12. When an officer, or agent, of an insurer provides the information required by this Reporting Standard using an electronic format the officer, or agent, must digitally sign the relevant information using a digital certificate acceptable to APRA.
13. If the information required by this Reporting Standard is provided by an agent who submits the information on the insurer's behalf, the insurer must:
- (a) obtain from the agent a copy of the completed information provided to APRA; and
 - (b) retain the completed copy.
14. An officer, or agent, of an insurer who submits the information under this Reporting Standard for, or on behalf of, the insurer must be authorised by either:
- (a) the Principal Executive Officer of the insurer; or
 - (b) the Chief Financial Officer of the insurer.

Variations

15. APRA may, by written notice to the insurer, vary the reporting requirements of this Reporting Standard in relation to that insurer.

Transition

16. An insurer must report under the old reporting standard in respect of a transitional reporting period. For these purposes:

old reporting standard means the reporting standard revoked in the determination making this Reporting Standard (being the reporting standard which this Reporting Standard replaces); and

transitional reporting period means a reporting period under the old reporting standard:

- (a) which ended before 1 July 2023; and
- (b) in relation to which the insurer was required, under the old reporting standard, to report by a date on or after the date of revocation of the old reporting standard.

Note: For the avoidance of doubt, if an insurer was required to report under an old reporting standard, and the reporting documents were due before the date of revocation of the old reporting standard, the insurer is still required to provide any overdue reporting documents in accordance with the old reporting standard.

Interpretation

17. In this Reporting Standard:

- (a) unless the contrary intention appears, words and expressions have the meanings given to them in *Prudential Standard GPS 001 Definitions* (GPS 001); and
- (b) the following definitions are applicable:

Appointed Auditor means an auditor appointed under paragraph 39(1)(a) of the Insurance Act;

APRA-authorised reinsurer means an insurer carrying on reinsurance business. For the purposes of this definition, a Lloyd's underwriter as defined under the Insurance Act is an APRA-authorised reinsurer if it carries on reinsurance business;

capital standards means the prudential standards which relate to capital adequacy as defined in GPS 001;

Chief Financial Officer means the chief financial officer of the insurer, by whatever name called;

financial year means the financial year (within the meaning in the *Corporations Act 2001*) of the insurer;

foreign insurer means a foreign general insurer within the meaning of the Insurance Act;

Note: A reference to a 'branch' or 'branch operation' is a reference to the Australian operations of a foreign insurer.

general instruction guide refers to the general instruction guide set out in Attachment A of GRS 001;

Insurance Act means the *Insurance Act 1973*;

insurer means a general insurer within the meaning of section 11 of the Insurance Act;

Note: In this Reporting Standard, a reference to an ‘authorised insurer’, ‘authorised insurance entity’ or ‘licensed insurer’ is a reference to an insurer, and a reference to an ‘authorised reinsurance entity’ is a reference to an insurer whose business consists only of undertaking liability by way of reinsurance.

non-APRA-authorised reinsurer means any reinsurer that is not an APRA-authorised reinsurer;

Principal Executive Officer means the principal executive officer of the insurer, by whatever name called, and whether or not he or she is a member of the governing board of the insurer; and

reporting period means a period mentioned in subparagraph 6(a) or 6(b) or, if applicable, paragraph 7.

18. Unless the contrary intention appears, a reference to an Act, Prudential Standard, Reporting Standard, Australian Accounting or Auditing Standard is a reference to the instrument as in force from time to time.

Reporting Standard GRS 114.0

Asset Risk Charge

General instructions

Reporting tables

Tables described in this reporting standard list each of the data fields required to be reported. The data fields are listed sequentially in the column order that they will appear in the reported data set. Constraints on the data that can be reported for each field have also been provided.

Any specific combination of values in a table must not appear on more than one row in that table when reported.

Look-through treatment

For asset and liability items that have been treated on a look-through basis for the purpose of *Prudential Standard GPS 114 Capital Adequacy: Asset Risk Charge* (GPS 114), report the effective underlying exposures after adjustments for look-through as well as their resultant impacts on capital base respectively.

Derivative treatment

All items should be reported gross of impacts from derivatives. Report the fair value of open derivative positions under *derivatives (liabilities)* and *derivatives (assets)*.

Assets subject to stress

Exclude from the calculation of *Asset Risk Charge* all components of assets that are either:

- deducted from total assets for the purpose of determining the capital base; or
- subject to the Asset Concentration Risk Charge.

Include investment receivable with the asset that generated the income.

Asset stress scenario

Insurers are not required to report the components of *impact on capital base* for asset stress scenarios where it is determined that those scenarios would improve the capital base (i.e. result in a zero-*risk charge component*) as at the end of the relevant reporting period.

Insurers must report all asset stress scenarios that would give rise to a positive *risk charge component*.

Application to Category C insurers

For Category C insurers, the *Asset Risk Charge* is to be applied only to the assets in Australia of the Category C insurer.

Definitions

Terms in ***bold italics*** are defined in this Definitions section of these instructions.

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| <i>Adjusted pre-stress amount</i> | This is the value of relevant items of the reporting insurer. Report amounts before the application of any designated asset stresses, net of the effect of any look-through adjustments and applying the fair value requirement outlined in <i>Prudential Standard GPS 112 Capital Adequacy: Measurement of Capital</i> (GPS 112) and GPS 114. |
| <i>Adjustments to Asset Risk Charge as approved by APRA</i> | <p>If APRA is of the view that the Standard Method for calculating the <i>Asset Risk Charge component</i> of the prescribed capital amount does not produce an appropriate outcome in respect of a reporting insurer, or a reporting insurer has used inappropriate judgement or estimation in calculating the <i>Asset Risk Charge</i>, APRA may adjust the <i>Asset Risk Charge</i> calculation for that reporting insurer.</p> <p>Approved adjustments are to be reported separately in the associated table highlighting the description of the adjustment given, transitional status and amount of adjustment applied.</p> |
| <i>Aggregated risk charge component</i> | This is the aggregated result of applying the aggregation formula over <i>risk charge components</i> set out in GPS 114. The formula allows for the likelihood of the asset risk stress scenarios occurring simultaneously. |
| <i>Asset Risk Charge</i> | <p>The <i>Asset Risk Charge</i> is the minimum amount of capital required to be held against asset risks. The <i>Asset Risk Charge</i> relates to the risk of adverse movements in the value of a reporting insurer's capital base due to credit or market risks. It is determined in accordance with GPS 114.</p> <p>It is calculated as the sum of:</p> <ul style="list-style-type: none"> • <i>Aggregated risk charge component</i>; and • <i>Adjustments to Asset Risk Charge as approved by APRA</i> <p>less:</p> <ul style="list-style-type: none"> • <i>Tax benefit deduction</i>. |
| <i>Assets subject to credit spreads stress type</i> | <p>This is the category of assets subject to <i>credit spreads stress</i>. The options are:</p> <ul style="list-style-type: none"> • bonds and other non-securitised assets; • structured and securitised assets; and • re-securitised assets. |

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| <i>Capital regulatory</i> | These are the adjustments to Common Equity Tier 1 (CET1) capital relating to accounts receivables and accounts payables, excluding the |
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| <i>adjustments subject to stress</i> | <p>reversal of tax impact. For clarity, items reported here should not be excluded from the other categories of the reporting tables, in particular accounting assets, accounting liabilities, reinsurance and non-reinsurance assets. This item is calculated as the sum of:</p> <ul style="list-style-type: none"> • <i>Premiums receivable;</i> • <i>Reinsurance recoveries receivable;</i> • <i>Non-reinsurance recoveries receivable;</i> • <i>Other accounts receivable;</i> and • <i>Regulatory adjustments to CET1 capital for accounts payables excluding reversal of tax impact of accounts payables.</i> |
| <i>Cash and cash equivalents</i> <i>(Items subject to Asset Risk Charge type)</i> | This is the value, as at the relevant date, of notes and coins; deposits withdrawable or redeemable within 24 hours; and securities purchased under agreements to resell. |
| <i>Counterparty grade</i> | This is the classification applied to an investment or exposure as per the requirements of GPS 001. Assets guaranteed by an Australian state or territory government must be reported in the <i>counterparty grade</i> that applies after rating up one grade in accordance with GPS 114. |
| <i>Credit spread fair value amount</i> | This is the fair value of assets that are subject to <i>credit spreads stress</i> . |
| <i>Credit spread stressed amount</i> | This is the stressed value of assets that are subject to <i>credit spreads stress</i> . |
| <i>Credit spreads stress</i> <i>(Stress scenario type)</i> | <p>This is the impact on an insurer's capital base of an increase in credit spreads and the risk of default and is calculated in accordance with GPS 114.</p> <p>This stress applies to interest bearing assets, including cash deposits and floating rate assets. Credit derivatives and zero-coupon instruments such as bank bills must also be included.</p> |
| <i>Currency downwards stress</i> <i>(Stress scenario type)</i> | This is the impact on the capital base of downward changes in foreign currency exchange rates and is calculated in accordance with GPS 114. |
| <i>Currency upwards stress</i> <i>(Stress scenario type)</i> | This is the impact on an insurer's capital base of upward changes in foreign currency exchange rates and is calculated in accordance with GPS 114. |

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| <i>Current tax assets</i> <i>(Items subject to Asset Risk Charge type)</i> | This is the value of <i>current tax assets</i> determined in accordance with Australian Accounting Standards. |
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| <i>Default stress</i> <i>(Stress scenario type)</i> | <p>This is the impact on an insurer's capital base of the risk of counterparty default and is calculated in accordance with GPS 114.</p> <p>It applies to reinsurance assets, over the counter derivatives, unpaid premiums and all other credit or counterparty exposures that have not been affected by the <i>credit spreads stress</i>. In accordance with GPS 114, only the central estimates of reinsurance assets are to be subject to <i>default stress</i>.</p> |
| <i>Deferred tax liabilities</i> <i>(Items subject to Asset Risk Charge type)</i> | This is the value of taxes payable in future periods in respect of taxable temporary differences. The definition is interpreted consistently with <i>Australian Accounting Standard AASB 112 - Income Taxes</i> (AASB 112). |
| <i>Deferred tax assets</i> <i>(Items subject to Asset Risk Charge type)</i> | This is the value of tax benefits that may be recognised in future financial periods, as consistent with the asset risk scenario under consideration. |
| <i>Derivatives (assets)</i> <i>(Items subject to Asset Risk Charge type)</i> | This is the value of all open derivative positions reported as assets. |
| <i>Derivatives (liabilities)</i> <i>(Items subject to Asset Risk Charge type)</i> | This is the value of all open derivatives positions reported as liabilities. |
| <i>Dividend yield used in determination of equity stress</i> | This is the dividend yield of the ASX 200 index used in determining the reduction in equity asset values under the <i>equity stress</i> scenario. |

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| <i>(Yields used in stress scenarios type)</i> | |
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| <i>Earnings yield used in determination of property stress</i> <i>(Yields used in stress scenarios type)</i> | <p>This is the average earnings yield before taxes used in determining the reduction in infrastructure asset values under the property stress scenario.</p> |
| <i>Equity stress</i> <i>(Stress scenario type)</i> | <p>This is the impact on an insurer's capital base of a fall in equity and other asset values and is calculated in accordance with GPS 114.</p> <p>This stress applies to both listed and unlisted equity assets and to any other assets that are not considered in any of the other asset risk stresses. This stress also includes an increase to equity volatility.</p> |
| <i>Equities (direct)</i> <i>(Items subject to Asset Risk Charge type)</i> | <p>This is the value, as at the relevant date, of equity securities and of subordinated debt securities. Equity securities are, as defined by the Australian Accounting Standards, contracts that evidence a residual interest in the assets of an entity after deducting all its liabilities. This includes equity securities lent or sold by the entity under repurchase agreements, where the transaction does not result in the transfer of the rights of ownership of the securities away from the entity to another party. Subordinated debt is a debt security where the claim to repayment ranks lower in priority to other claims.</p> |
| <i>Expected inflation downwards stress</i> <i>(Stress scenario type)</i> | <p>Expected inflation stress measures the impact on an insurer's capital base of changes to expected Consumer Price Index inflation rates. It also affects nominal interest rates.</p> <p>This item reports the impact on the capital base of the insurer arising from the application of the downward expected inflation stress and is calculated in accordance with GPS 114.</p> |
| <i>Expected inflation upwards stress</i> <i>(Stress scenario type)</i> | <p>Expected inflation stress measures the impact on an insurer's capital base of changes to expected Consumer Price Index inflation rates. It also affects nominal interest rates.</p> <p>This item reports the impact on the capital base of the insurer arising from the application of the upward expected inflation stress and is calculated in accordance with GPS 114.</p> |

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| <i>Expected reinsurance recoverables</i> <i>(Items subject to Asset Risk Charge type)</i> | This is the amount due to an insurer, or to an entity that carries on international business within a Level 2 insurance group, from a reinsurer that arises from the recognition of premiums liabilities referred to in the GI Prudential Standards (including <i>Prudential Standard GPS 340 Insurance Liability Valuation</i> (GPS 340)). This is distinguished from reinsurance recoverables. |
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| <i>GPS 340 net outstanding claims liabilities</i> <i>(Items subject to Asset Risk Charge type)</i> | This is the value of the net outstanding claims liabilities determined in accordance with GPS 340. |
| <i>GPS 340 net premium liabilities</i> <i>(Items subject to Asset Risk Charge type)</i> | This is the value of the net premium liabilities determined in accordance with GPS 340. |

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| <i>Impact of diversification</i> | This is calculated as the sum of the <i>risk charge components</i> used in calculating the <i>aggregated risk charge component</i> , less the <i>aggregated risk charge component</i> as set out in GPS 114. |
| <i>Impact on capital base</i> | <p>This shows the impact on the capital base of each asset risk stress scenario as set out in GPS 114.</p> <p>This item is calculated for each <i>stress scenario type</i> as the sum of:</p> <ul style="list-style-type: none"> • <i>Cash and cash equivalents</i> • <i>Current tax assets</i> • <i>Interest rate investments (direct)</i> • <i>Equities (direct)</i> • <i>Property (direct)</i> • <i>Loans (direct)</i> • <i>Indirect investments</i> • <i>Deferred tax assets</i> • <i>Derivatives (assets)</i> • <i>Investments in related entities (associates, joint ventures, subsidiaries)</i> • <i>Other assets subject to Asset Risk Charge</i> • <i>Deferred tax liabilities</i> |

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| | <ul style="list-style-type: none"> • <i>Derivatives (liabilities)</i> • <i>Other liabilities subject to Asset Risk Charge</i> • <i>Reinsurance recoverables on outstanding and paid claims</i> • <i>Expected reinsurance recoverables</i> • <i>Other reinsurance assets</i> • <i>GPS 340 net outstanding claims liabilities</i> • <i>GPS 340 net premium liabilities</i> • <i>Premiums receivable</i> • <i>Reinsurance recoveries receivable</i> • <i>Non-reinsurance recoveries receivable</i> • <i>Other accounts receivable</i> • <i>Regulatory adjustments to CET1 capital for accounts payables excluding reversal of tax impact of accounts payables</i> • <i>Off-balance sheet exposures</i> |
| <i>Indirect investments</i> <i>(Items subject to Asset Risk Charge type)</i> | <p>This is the value of the net assets of unit trusts or managed investment schemes invested in by the reporting insurer, or mandates individually managed on behalf of the reporting insurer.</p> |
| <i>Interest rate investments (direct)</i> <i>(Items subject to Asset Risk Charge type)</i> | <p>This is the value of debt securities held by the reporting insurer as at the relevant date, plus the value of deposits and placements that have been classified by the reporting insurer as assets backing insurance liabilities for statutory reporting purposes. A debt security is a transferable instrument evidencing a relationship of indebtedness. It is characterised by having a definable return that is not based on the economic performance of the issuing entity.</p> |
| <i>Investments in related entities (associates, joint ventures, subsidiaries)</i> <i>(Items subject to Asset Risk Charge type)</i> | <p>This is the value of strategic investments or acquisitions of the reporting insurer.</p> <p>This includes investments in associates, joint ventures and subsidiaries from the <i>AASB 17 Insurance Contracts</i> (AASB 17) balance sheet.</p> <p>This does not include investments that constitute assets backing general insurance liabilities.</p> |

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| <i>Loans (direct)</i> <i>(Items subject to Asset Risk Charge type)</i> | <p>This is the value of <i>loans</i>. <i>Loans</i> include financial leases and mortgages, and are typically non-negotiable on the secondary market.</p> |
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| <i>Non-reinsurance recoveries receivable</i> <i>(Items subject to Asset Risk Charge type)</i> | <p>This is the amount related to non-reinsurance recoveries due but not yet received. This reflects the <i>non-reinsurance recoveries receivable</i> amount recognised as a separate asset on the balance sheet under <i>AASB 1023 General Insurance Contracts</i> (AASB 1023) which is added to insurance contract assets or netted against insurance contract liabilities under AASB 17.</p> |
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| <i>Off-balance sheet exposures</i> <i>(Items subject to Asset Risk Charge type)</i> | <p>This is the value of <i>off-balance sheet exposures</i> that are subject to the <i>Asset Risk Charge</i>.</p> |
| <i>Other accounts receivable</i> <i>(Items subject to Asset Risk Charge type)</i> | <p>This is the amount related to any other relevant accounts receivable not reported in <i>premiums receivable</i>, <i>reinsurance recoveries receivable</i> and <i>non-reinsurance recoveries receivable</i>. This may include (but is not limited to) levies, taxes, rebates, fees and commissions.</p> |
| <i>Other assets subject to Asset Risk Charge</i> <i>(Items subject to Asset Risk Charge type)</i> | <p>This is the value of the assets that have not been reported elsewhere in:</p> <ul style="list-style-type: none"> • <i>Cash and cash equivalents</i> • <i>Current tax assets</i> • <i>Deferred tax assets</i> • <i>Derivatives (assets)</i> • <i>Investments in related entities (associates, joint ventures, subsidiaries)</i> • <i>Interest rate investments (direct)</i> • <i>Equities (direct)</i> • <i>Property (direct)</i> • <i>Loans (direct)</i> • <i>Indirect investments</i> <p>This does not include assets in excess of the concentration limits set out in <i>Prudential Standard GPS 117 Capital Adequacy: Asset Concentration Risk Charge</i> or assets which are deducted from capital base such as surplus in defined benefit superannuation funds of which the reporting insurer is an employer-sponsor.</p> <p>Additionally, this excludes the following items from the AASB 17 balance sheet:</p> <ul style="list-style-type: none"> • Insurance contract assets; and • Reinsurance contract assets. |

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| <p><i>Other liabilities subject to Asset Risk Charge</i></p> <p><i>(Items subject to Asset Risk Charge type)</i></p> | <p>This consists of all other liabilities of the reporting insurer not separately reported under <i>deferred tax liabilities</i> or <i>derivatives (liabilities)</i>.</p> <p>Additionally, this excludes the following items from the AASB 17 balance sheet:</p> <ul style="list-style-type: none"> • Insurance contract liabilities • Reinsurance contract liabilities |
| <p><i>Other reinsurance assets</i></p> <p><i>(Items subject to Asset Risk Charge type)</i></p> | <p>This is the value of the central estimate of any asset recognised by the reporting insurer that relates to reinsurance other than:</p> <ul style="list-style-type: none"> • <i>reinsurance recoverables on outstanding and paid claims</i>; and • <i>expected reinsurance recoverables</i>. |

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| <p><i>Premiums receivable</i></p> <p><i>(Items subject to Asset Risk Charge type)</i></p> | <p>This is the amount related to insurance premiums due but not yet received. Premiums should be gross of reinsurance and commissions, before profit share rebates, and inclusive of stamp duty, policy fees, loadings and discounts. This reflects the <i>premiums receivable</i> amount recognised as a separate asset on the balance sheet under AASB 1023 which is netted against insurance contract liabilities or added to insurance contract assets under AASB 17.</p> |
| <p><i>Property stress</i></p> <p><i>(Stress scenario type)</i></p> | <p>This is the impact on an insurer's capital base of changes in property and infrastructure asset values and must be calculated in accordance with GPS 114.</p> |
| <p><i>Property (direct)</i></p> <p><i>(Items subject to Asset Risk Charge type)</i></p> | <p>This is the value of property held by the reporting insurer, in accordance with the classification and measurement basis under the relevant Australian Accounting Standards.</p> |

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| <p><i>Real interest rates downwards stress</i></p> <p><i>(Stress scenario type)</i></p> | <p>The real interest rates stress measures the impact on an insurer's capital base of downward changes in real interest rates. It also affects nominal interest rates.</p> <p>This item is calculated in accordance with GPS 114.</p> |
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| <i>Real interest rates upwards stress</i> <i>(Stress scenario type)</i> | <p>The real interest rates stress measures the impact on an insurer's capital base of upward changes in real interest rates. It also affects nominal interest rates.</p> <p>This item is calculated in accordance with GPS 114.</p> |
| <i>Regulatory adjustments to CET1 capital for accounts payables excluding reversal of tax impact of accounts payables</i> <i>(Items subject to Asset Risk Charge type)</i> | <p>These are adjustments to be deducted from CET1 capital relating to accounts payables as per <i>Prudential Standard GPS 112 Capital Adequacy: Measurement of Capital</i>, excluding reversal of tax impact of payables. This includes:</p> <ul style="list-style-type: none"> • claims payable; • reinsurance premiums payable; • reinsurance recoveries and non-reinsurance recoveries payable; and • other accounts payable. |
| <i>Reinsurance recoverables on outstanding and paid claims</i> <i>(Items subject to Asset Risk Charge type)</i> | <p>This is the value of the central estimate of reinsurance recoverables in relation to reinsurance contracts for both paid and outstanding claims. This item does not include amounts under reinsurance contracts that do not meet the reinsurance documentation test or governing law requirements under <i>Prudential Standard GPS 230 Reinsurance Management</i> (GPS 230).</p> |
| <i>Reinsurance recoveries receivable</i> <i>(Items subject to Asset Risk Charge type)</i> | <p>This is the amount related to reinsurance recoveries due but not yet received. This reflects the <i>reinsurance recoveries receivable</i> amount recognised as a separate asset on the balance sheet under AASB 1023 which is added to reinsurance contract assets or netted against reinsurance contract liabilities under AASB 17.</p> |
| <i>Rental yield used in determination of property stress</i> <i>(Yields used in stress scenarios type)</i> | <p>This is the average rental yield for the property assets, based on current leases, and net of expenses.</p> |

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| <i>Risk charge components</i> | <p>This item is calculated for each <i>stress scenario type</i> as the greater of zero and the <i>impact on capital base</i> amount.</p> <p>If the <i>impact on capital base</i> is less than zero then the <i>risk charge component</i> is equal to the absolute value of the <i>impact on capital base</i>.</p> <p>If the <i>impact on capital base</i> is greater than zero then the <i>risk charge component</i> is zero.</p> |
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| <i>Stress scenario amount</i> | <p>This is the contribution of the relevant items towards the change in capital base under the <i>stress scenario types</i>.</p> <p>Specifications of the stresses are determined in accordance with GPS 114.</p> |
| <i>Stress scenario type</i> | <p>This consists of the stress scenarios that must be applied to individual items under GPS 114. The scenarios are:</p> <ul style="list-style-type: none"> • <i>Real interest rates upwards stress</i>; • <i>Real interest rates downwards stress</i>; • <i>Expected inflation upwards stress</i>; • <i>Expected inflation downwards stress</i>; • <i>Currency upwards stress</i>; • <i>Currency downwards stress</i>; • <i>Equity stress</i>; • <i>Property stress</i>; • <i>Credit spreads stress</i>; and • <i>Default stress</i>. |

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| <i>Tax benefit deduction</i> | <p>This represents the tax benefits deducted from the <i>aggregated risk charge component</i> as determined in accordance with GPS 114. This comprises the tax benefits resulting from the <i>Asset Risk Charge</i> stresses, reduced to allow for the reduction in <i>Asset Risk Charge</i> due to the aggregation formula.</p> |
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Specific instructions

Table 1: Adjusted Pre-Stress Amount

Reporting basis

Category A, B, D and E insurers should report the value of all relevant items within the balance sheet of the reporting insurer. Category C insurers should report the value of all relevant items inside Australia from the balance sheet of the reporting Category C insurer.

Report values before the application of any designated asset stresses, and net of the effect of any look-through adjustments.

Units of measurement

Report values in whole Australian dollars (no decimal places).

| | Name | Valid values | Description |
|---|---|---|--|
| 1 | Items Subject To Asset Risk Charge Type | <p>Accounting assets subject to stress:</p> <ul style="list-style-type: none"> • <i>Cash and cash equivalents</i> • <i>Current tax assets</i> • <i>Interest rate investments (direct)</i> • <i>Equities (direct)</i> • <i>Property (direct)</i> • <i>Loans (direct)</i> • <i>Indirect investments</i> • <i>Deferred tax assets</i> • <i>Derivatives (assets)</i> • <i>Investments in related entities (associates, joint ventures, subsidiaries)</i> • <i>Other assets subject to Asset Risk Charge</i> <p>Accounting liabilities subject to stress:</p> <ul style="list-style-type: none"> • <i>Deferred tax liabilities</i> | <p>Report the items subject to <i>asset risk charge</i> type.</p> <p>Items categorised under accounting assets subject to stress must exclude the following items from the AASB 17 balance sheet:</p> <ul style="list-style-type: none"> • Insurance contract assets; and • Reinsurance contract assets. <p>Items categorised under accounting liabilities subject to stress must exclude the following items from the AASB 17 balance sheet:</p> <ul style="list-style-type: none"> • Insurance contract liabilities; and • Reinsurance contract liabilities. |

| | Name | Valid values | Description |
|---|----------------------------|---|--|
| | | <ul style="list-style-type: none"> • <i>Derivatives (liabilities)</i> • <i>Other liabilities subject to Asset Risk Charge</i> <p>GPS 340 Reinsurance assets subject to default stress:</p> <ul style="list-style-type: none"> • <i>Reinsurance recoverables on outstanding and paid claims</i> • <i>Expected reinsurance recoverables</i> • <i>Other reinsurance assets</i> <p>GPS 340 Insurance liabilities subject to stress:</p> <ul style="list-style-type: none"> • <i>GPS 340 net outstanding claims liabilities</i> • <i>GPS 340 net premium liabilities</i> <p>Off balance sheet exposures subject to stress:</p> <ul style="list-style-type: none"> • <i>Off-balance sheet exposures</i> <p>Capital regulatory adjustments subject to stress:</p> <ul style="list-style-type: none"> • <i>Premiums receivable</i> • <i>Reinsurance recoveries receivable</i> • <i>Non-reinsurance recoveries receivable</i> • <i>Other accounts receivable</i> • <i>Regulatory adjustments to CET1 capital for accounts payables excluding reversal of tax impact of accounts payables</i> | |
| 2 | Adjusted Pre-Stress Amount | Whole dollars | Report the <i>adjusted pre-stress amounts</i> on a look-through fair value basis. Report the pre-stress amounts as positive values. |

Table 2: Impact on Capital Base**Reporting basis**

Report the impacts on the capital base of the application of the *stress scenario types*. Reported values in Column 3 should represent the contribution of the relevant items in Column 1 to the change in capital base under a given *stress scenario type* in Column 2. Report decreases to assets and increases to liabilities as negative values in Column 3. Report increases to assets and decreases to liabilities as positive values in Column 3.

Units of measurement

Report values in whole Australian dollars (no decimal places).

| | Name | Valid values | Description |
|---|---|--|--|
| 1 | Items Subject to Asset Risk Charge Type | <p>Accounting Assets subject to stress:</p> <ul style="list-style-type: none"> • <i>Cash and cash equivalents</i> • <i>Current tax assets</i> • <i>Interest rate investments (direct)</i> • <i>Equities (direct)</i> • <i>Property (direct)</i> • <i>Loans (direct)</i> • <i>Indirect investments</i> • <i>Deferred tax assets</i> • <i>Derivatives (assets)</i> • <i>Investments in related entities (associates, joint ventures, subsidiaries)</i> • <i>Other assets subject to Asset Risk Charge</i> <p>Accounting liabilities subject to stress:</p> <ul style="list-style-type: none"> • <i>Deferred tax liabilities</i> • <i>Derivatives (liabilities)</i> • <i>Other liabilities subject to Asset Risk Charge</i> | <p>Report the items subject to <i>Asset Risk Charge</i> type.</p> <p>Items categorised under accounting assets subject to stress must exclude the following items from the AASB 17 balance sheet:</p> <ul style="list-style-type: none"> • Insurance contract assets; and • Reinsurance contract assets. <p>Items categorised under accounting liabilities subject to stress must exclude the following items from the AASB 17 balance sheet:</p> <ul style="list-style-type: none"> • Insurance contract liabilities; and • Reinsurance contract liabilities. |

| | Name | Valid values | Description |
|---|----------------------|--|--|
| | | <p>GPS 340 reinsurance assets subject to default stress:</p> <ul style="list-style-type: none"> • <i>Reinsurance recoverables on outstanding and paid claims</i> • <i>Expected reinsurance recoverables</i> • <i>Other reinsurance assets</i> <p>GPS 340 insurance liabilities subject to stress:</p> <ul style="list-style-type: none"> • <i>GPS 340 net outstanding claims liabilities</i> • <i>GPS 340 net premium liabilities</i> <p>Off balance sheet exposures subject to stress:</p> <ul style="list-style-type: none"> • <i>Off-balance sheet exposures</i> <p>Capital regulatory adjustments:</p> <ul style="list-style-type: none"> • <i>Premiums receivable</i> • <i>Reinsurance recoveries receivable</i> • <i>Non-reinsurance recoveries receivable</i> • <i>Other accounts receivable</i> • <i>Regulatory adjustments to CET1 capital for accounts payables excluding reversal of tax impact of accounts payables</i> | |
| 2 | Stress Scenario Type | <ul style="list-style-type: none"> • <i>Real interest rates upwards stress</i> • <i>Real interest rates downwards stress</i> • <i>Expected inflation upwards stress</i> • <i>Expected inflation downwards stress</i> • <i>Currency upwards stress</i> • <i>Currency downwards stress</i> • <i>Equity stress</i> • <i>Property stress</i> • <i>Credit spreads stress</i> | Report the <i>stress scenario type</i> . |

| | Name | Valid values | Description |
|---|------------------------|---|--|
| | | <ul style="list-style-type: none"> <i>Default stress</i> | |
| 3 | Stress Scenario Amount | Whole dollars | <p>Report the <i>stress scenario amount</i>.</p> <p>A negative number indicates a reduction in the capital base.</p> <p>Report decreases to assets and increases to liabilities as negative values.</p> <p>Report increases to assets and decreases to liabilities as positive values.</p> |

Table 3: Counterparty Grade**Reporting basis**

Reports the fair value and stressed value of assets that are subject to *credit spreads stress*, subdivided by counterparty grade type and *assets subject to credit spreads stress type*.

Units of measurement

Report values in whole Australian dollars (no decimal places).

| | Name | Valid values | Description |
|---|--|---|--|
| 1 | Assets Subject To Credit Spreads Stress Type | <ul style="list-style-type: none"> • Bonds & other non-securitised assets • Structured / securitised assets • Re-securitised assets | Report the <i>assets subject to credit spreads stress type</i> . |
| 2 | Counterparty Grade Type | <ul style="list-style-type: none"> • Grade 1 (Government) • Grade 1 (Other) • Grade 2 • Grade 3 • Grade 4 • Grade 5 • Grade 6 • Grade 7 | Report the counterparty grade type. |
| 3 | Credit Spread Fair Value Amount | Whole dollars | Report the <i>credit spread fair value amount</i> . |
| 4 | Credit Spread Stressed Amount | Whole dollars | Report the <i>credit spread stressed amount</i> . |

Table 4: Yields**Reporting basis**

Report each of the yields used in stress scenarios as at the reporting date.

Units of measurement

Report all percentages as percentage points to two decimal places.

| | Name | Description |
|---|---|---|
| 1 | Dividend Yield Used In Determination Of Equity Stress Percent | <i>Dividend yield used in determination of equity stress</i> is only required if the <i>risk charge component</i> for the <i>equity stress</i> is greater than zero. |
| 2 | Rental Yield Used In Determination Of Property Stress Percent | <i>Rental yield used in determination of property stress</i> is only required if the <i>risk charge component</i> for the <i>property stress</i> is greater than zero due to property assets. If rental yields and falls in value have been determined separately for each property asset, enter an estimate of the average rental yield for this item. |
| 3 | Earnings Yield Used In Determination Of Property Stress Percent | <i>Earnings yield used in determination of property stress</i> is only required if the <i>risk charge component</i> for the <i>property stress</i> is greater than zero due to infrastructure assets. |