



Reporting Standard GRS 117.0

Asset Concentration Risk Charge

Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA relating to a general insurer's Asset Concentration Risk Charge.

It includes *Form GRF 117.0 Asset Concentration Risk Charge* and associated specific instructions and must be read in conjunction with the general instruction guide and *Prudential Standard GPS 117 Capital Adequacy: Asset Concentration Risk Charge*.

Authority

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

Purpose

2. Information collected in *Form GRF 117.0 Asset Concentration Risk Charge* (GRF 117.0) 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 January 2013.

Information required

4. An insurer must provide APRA with the information required by Form GRF 117.0 for each reporting period.

Forms and method of submission

5. The information required by this Reporting Standard must be given to APRA in electronic format using the 'Direct to APRA' application or, where 'Direct to APRA' is not available, by a method notified by APRA prior to submission.

Note: The 'Direct to APRA' application software may be obtained from APRA.

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 1973* (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) within the time stated in *Reporting Standard GRS 001 Reporting Requirements* (GRS 001); or
 - (b) 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).

Quality control

9. 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 (AUASB) 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*.
10. 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

11. When an officer, or agent, of an insurer provides the information required by this Reporting Standard using the 'Direct to APRA' software it will be necessary for an officer, or agent, to digitally sign the relevant information using a digital certificate acceptable to APRA.
12. If an insurer provides the information required by this Reporting Standard through an agent who submits using the 'Direct to APRA' software on the insurer's behalf, the insurer must:
- (a) obtain from the agent a copy of the completed form with the information provided to APRA; and
 - (b) retain the completed copy.
13. 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

14. APRA may, by written notice to the insurer, vary the reporting requirements of Form GRF 117.0 in relation to that insurer.

Transition

15. 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 the date of revocation of the old reporting standard; 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

16. In this Reporting Standard (including the attachments):

- (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) ***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. The Australian Reinsurance Pool Corporation is also an APRA-authorised reinsurer for the purposes of this definition;

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 the forms and instructions, 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.

GRF_117_0: Asset Concentration Risk Charge (GEN)

Australian Business Number

Institution Name

Reporting Period

Scale Factor

Reporting Consolidation

- 1. Capital base.....
- 2. Adjusted net assets in Australia

Capital base is calculated in form GRF 112.0 'Determination of Capital Base'

Adjusted net assets in Australia for Category C insurers is calculated in form GRF 110.1 'Prescribed Capital Amount'

Section 1: Large exposures

Name of counterparty (1)	Counterparty group name (2)	ACN / ABN (3)	Type of exposure (4)	Description (5)	Non-APRA authorised reinsurer? (6)	Related party (7)	Counterparty grade (8)	Name of provider of eligible credit support (9)	Counterparty grade after eligible credit support (10)	Exposure amount		
										On-balance sheet (11)	Off-balance sheet (12)	Total (13)

Section 2A: Asset Concentration Risk Charge limits

1. Reinsurance exposures	1.1. Exposures to reinsurers with a counterparty grade of 4	
	1.2. Exposures to reinsurers with a counterparty grade of 5, 6 or 7	
2. Non-reinsurance exposures	2.1. Related parties that are part of an APRA regulated group	
	2.2. Unrelated parties that are part of an APRA regulated group	
	2.2.1. Long-term exposures	
	2.2.2. Total exposure	
	2.3. All other exposures	

Section 2B: Asset Concentration Risk Charge - reinsurance exposures

Counterparty group name (1)	Eligible credit support applied? (2)	Asset exposure category after eligible credit support (3)	Net exposure (4)	Asset Concentration Risk Charge limit (5)	Adjustment for cumulative exposures (6)	Exposure subject to Asset Concentration Risk Charge (7)	Asset Concentration Risk Charge (8)

Section 2C: Asset Concentration Risk Charge - non-reinsurance exposures

Counterparty group name (1)	Eligible credit support applied? (2)	Asset exposure category after eligible credit support (3)	Net exposure (4)	Of which: Long term exposure (5)	Asset Concentration Risk Charge limit (6)	Asset Concentration Risk Charge limit - long term (7)	Asset Concentration Risk Charge (8)

Section 3: Totals and risk charges

3.1. Reinsurers with counterparty grade 4.....	
3.2. Reinsurers with counterparty grade 5, 6 or 7.....	
3.3. Reinsurance Asset Concentration Risk Charge.....	
3.4. Related parties part of an APRA-regulated group.....	
3.5. Unrelated parties part of an APRA-regulated group.....	
3.6. Other.....	
3.7. Non-reinsurance Asset Concentration Risk Charge.....	
3.8. Adjustments to Asset Concentration Risk Charge as approved by APRA.....	

Description (1)	Transitional? (2)	Amount (3)

3.9. Asset Concentration Risk Charge.....

GRF_117_0: Asset Concentration Risk Charge

These instructions must be read in conjunction with the general instruction guide.

Section 1: Large exposures

Explanatory notes

Reporting threshold

This section is to be completed for each exposure to an asset, a counterparty or a group of counterparties that is greater than 10 per cent of the capital base (or adjusted net assets in Australia for a Category C insurer) of the reporting insurer. Where the aggregate exposure to a group of related counterparties is over the 10 per cent threshold, report the exposure to each individual counterparty separately, even if the individual exposure is less than the threshold.

Collateral and guarantees

For exposures that are supported by collateral, guarantees or letters of credit (eligible credit support):

- If the exposure is covered by more than one collateral / guarantee / letter of credit, split the original exposure into multiple rows for each eligible credit support applicable.
- If the eligible credit support provided doesn't cover the full value of the exposure, split the original exposure into multiple rows: one for the part that is covered, and one for the part that remains uncovered.

Instructions for specific items

Section 1: Large exposures

(1) Name of counterparty

This is the name of the counterparty to the exposure, if applicable.

(2) Counterparty group name

This is the name of the group to which the counterparty to the exposure belongs.

Where the counterparty does not belong to a group, enter the same counterparty name as appears in Column 1.

(3) ACN / ABN

Where relevant, column reports the Australian Company Number (ACN) of the reported counterparty. In cases where a counterparty doesn't have an ACN but it does have an Australian Business Number (ABN) or an Australian Registered Body Number (ARBN), the

ABN or ARBN should be reported. If a counterparty does not have an ACN, ABN, or ARBN the column should be left blank.

Input the number without spaces.

(4) Type of exposure

Indicate the appropriate category for the exposure.

(5) Description

Provide a brief description of the type of exposure reported in column 4.

(6) Non-APRA authorised reinsurer

Indicate whether the counterparty reported in column 1 is a non-APRA authorised reinsurer.

(7) Related party

Indicate whether the counterparty reported in column 1 is a related party of the reporting insurer.

(8) Counterparty grade

Report the grade of the counterparty reported in column 1.

(9) Name of provider of collateral / guarantee

If the insurer holds collateral against the asset or if the asset has been guaranteed, report the name of the entity providing the collateral or guarantee.

If no collateral or guarantee is provided, report 'N/A'.

(10) Counterparty grade after collateral / guarantee

This relates to exposures that are covered by collateral or guarantee. Report the counterparty grade applicable to the collateral or guarantee.

(11) Exposure amount: On-balance sheet

This represents the fair value of the exposure, net of provision for doubtful debts, recognised on-balance sheet.

(12) Exposure amount: Off-balance sheet

This represents the fair value of the exposure, net of provision for doubtful debts, recognised off-balance sheet.

(13) Total exposure

This represents the fair value of the exposure, net of provision for doubtful debts, and includes both on-balance sheet and off-balance sheet amounts.

It is automatically calculated as Column 11 plus Column 12.

Section 2A: Asset Concentration Risk Charge limits

Explanatory notes

Limits

These are the limits for reinsurance exposures and non-reinsurance exposures derived in accordance with Attachment A of *Prudential Standard GPS 117 Capital Adequacy: Asset Concentration Risk Charge* (GPS 117).

Section 2B: Asset Concentration Risk Charge – reinsurance exposures

Explanatory notes

Reinsurance exposures

Reinsurance exposures must be reported in the following order for each group of related counterparties:

- Combine all exposures to Grade 5 and below
- Combine all exposures to Grade 4.

Reporting threshold

This section is to be completed for each exposure to a group of related counterparties that will trigger an Asset Concentration Risk Charge limit as specified in GPS 117.

Application to Category C insurers

For Category C insurers, the Asset Concentration Risk Charge calculation is to be applied to the assets in Australia.

Instructions for specific items

(1) Counterparty group name

This is the name of the group to which the counterparty to the reinsurance exposure belongs.

(2) Eligible credit support applied?

If the reinsurance exposure is covered by an eligible collateral, guarantee, or letter of credit, indicate whether the insurer has applied the eligible credit support to calculate the asset concentration risk charge.

(3) Asset exposure category after eligible credit support

For exposures that are covered by eligible credit support, report the counterparty grade grouping (counterparty grades 5, 6 or 6; or counterparty grade 4) applicable to the exposure after the eligible credit support.

(4) Net exposure

This is the fair value of the exposure, net of provision for doubtful debts and any regulatory adjustments to capital base related to this exposure, that is subject to asset concentration risk charge. For reinsurance exposures regulatory adjustments would consist of reinsurance assets that do not meet the reinsurance documentation test and the governing law requirements as per *Prudential Standard GPS 230 Reinsurance Management* (GPS 230).

(5) Asset Concentration Risk Charge limit

This is the appropriate asset concentration limit as specified in GPS 117 for reinsurance exposures to Grade 5, 6 and 7 counterparties or Grade 4 counterparties belonging to the same group.

(6) Adjustment for cumulative exposures

This is the adjustment for cumulative exposures that needs to be made in line with paragraph 18 of GPS 117.

(7) Exposure subject to Asset Concentration Risk Charge

This is the total exposure that is subject to the Asset Concentration Risk Charge and is automatically calculated as the sum of Columns 4 and 6.

(8) Asset Concentration Risk Charge

This is the excess (if any) of the net exposure amount over and above the respective Asset Concentration Risk Charge limit.

It is automatically calculated as Column 7 less Column 5, subject to a floor of zero.

Section 2C: Asset Concentration Risk Charge – non-reinsurance exposures

Explanatory notes

Reporting threshold

This section is to be completed for each exposure to a group of related counterparties that will trigger an Asset Concentration Risk Charge limit as specified in GPS 117.

Application to Category C insurers

For Category C insurers, the Asset Concentration Risk Charge calculation is to be applied to the assets in Australia.

Instructions for specific items

(1) Counterparty group name

This is the name of the group to which the counterparty to the non-reinsurance exposure belongs.

(2) Eligible credit support applied?

If the non-reinsurance exposure is covered by an eligible collateral, guarantee, or letter of credit, indicate whether the insurer has applied the eligible credit support to calculate the asset concentration risk charge.

(3) Asset exposure category after eligible credit support

For non-reinsurance exposures, this categorises the exposure into one of the following in accordance with Attachment A of GPS 117: Related party (APRA-regulated group); Unrelated party (APRA-regulated group); and Other.

(4) Net exposure

This is the fair value of the exposure, net of provision for doubtful debts any regulatory adjustments to capital base related to this exposure, that is subject to asset concentration risk charge.

(5) Of which: Long term exposure

For exposures categorised as 'Unrelated party (APRA-regulated group)', this is the fair value of the exposure to long-term assets, net of provision for doubtful debts and after amounts that are deducted from the capital base. Long term exposures are those assets with a residual maturity of greater than one year.

(6) Asset Concentration Risk Charge limit

This is the appropriate Asset Concentration Risk Charge limit as specified in GPS 117 for non-reinsurance exposures.

(7) Asset Concentration Risk Charge limit – Long term

This is the appropriate Asset Concentration Risk Charge limit for long-term exposures to unrelated parties that are part of an APRA-regulated group as per Attachment A of GPS 117.

(8) Asset Concentration Risk Charge

This is the excess (if any) of the net exposure amount over and above the respective Asset Concentration Risk Charge limit.

It is automatically calculated as the greater of Column 4 less Column 6, and Column 5 less Column 7, subject to a floor of zero.

Section 3: Totals and risk charges

Instructions for specific items

3.1. Reinsurers with counterparty grade 4

This represents the Asset Concentration Risk Charge for reinsurance exposures to reinsurers with a counterparty grade of 4 with the counterparty grade determined in accordance with *Prudential Standard GPS 001 Definitions* (GPS 001).

3.2. Reinsurers with counterparty grade 5, 6 or 7

This represents the Asset Concentration Risk Charge for reinsurance exposures to reinsurers with a counterparty grade of 5, 6 or 7 with the counterparty grade determined in accordance with GPS 001.

3.3. Reinsurance Asset Concentration Risk Charge

This represents the Asset Concentration Risk Charge for reinsurance exposures and is the sum of the Asset Concentration Risk Charges for reinsurance exposures across all counterparty grades.

It is automatically calculated as the sum of Item 3.1 and 3.2.

3.4. Related parties part of an APRA-regulated group

This represents the Asset Concentration Risk Charge for non-reinsurance exposures to related parties that are part of an APRA-regulated group, determined in accordance with GPS 117.

3.5. Unrelated parties part of an APRA-regulated group

This represents the Asset Concentration Risk Charge for non-reinsurance exposures to unrelated parties that are part of an APRA-regulated group, determined in accordance with GPS 117.

3.6. Other

This represents the Asset Concentration Risk Charge for non-reinsurance exposures that are not to governments with a counterparty grade of 1 or 2, related parties that are part of an APRA-regulated group, or unrelated parties that are part of an APRA-regulated group, determined in accordance with GPS 117.

3.7. Non-reinsurance Asset Concentration Risk Charge

This represents the Asset Concentration Risk Charge for non-reinsurance exposures and is the sum of the Asset Concentration Risk Charges for each non-reinsurance exposure category.

It is automatically calculated as the sum of Items 3.4 to 3.6.

3.8. Adjustments to Asset Concentration Risk Charge as approved by APRA

If APRA is of the view that the Standard Method for calculating the Asset Concentration Risk Charge component 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 Asset Concentration Risk Charge, APRA may adjust the Asset Concentration Risk Charge calculation for that reporting insurer.

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. An increase in the risk charge is to be reported as a positive amount.

This is calculated automatically as the sum of Column 3 in the table that follows.

3.9. Asset Concentration Risk Charge

The Asset Concentration Risk Charge is the minimum amount of capital required to be held against asset concentration risks. It is the sum of the Asset Concentration Risk Charges for reinsurance and non-reinsurance exposures.

It is automatically calculated as the sum of Items 3.3, 3.7 and 3.8.