



Reporting Standard GRS 117.0_G

Asset Concentration Risk Charge (Level 2 Insurance Group)

Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA relating to the calculation of a Level 2 insurance group's asset concentration risk charge.

It includes *Form GRF 117.0_G Asset Concentration Risk Charge (G)* 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_G Asset Concentration Risk Charge (G)* (GRF 117.0_G) 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 a parent entity of a Level 2 insurance group as defined in *Prudential Standard GPS 001 Definitions* (GPS 001). This Reporting Standard applies for reporting periods ending on or after 30 June 2016. The parent entity of a Level 2 group is required to ensure that each requirement in this Reporting Standard is complied with.

Information required

4. The parent entity of a Level 2 insurance group must provide APRA with the information required by Form GRF 117.0_G in respect of the Level 2 insurance group 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, the parent entity of a Level 2 insurance group must provide the information required by this Reporting Standard:
 - (a) in respect of the first half year based on the financial year of the Level 2 insurance group on an unaudited basis; and
 - (b) in respect of each financial year of the Level 2 insurance group on an audited basis.

Note: The annual information required by paragraphs 4, 5 and 6(b), together with certain annual information required by other reporting standards, will form part of the Level 2 insurance group's annual accounts within the meaning of GPS 001. *Prudential Standard GPS 310 Audit and Related Matters* (GPS 310) contains the relevant provisions governing audits.

7. If, having regard to the particular circumstances of a Level 2 insurance group, 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 to the parent entity, change the reporting periods, or specify reporting periods, for the particular Level 2 insurance group.
8. The information required by this Reporting Standard in respect of a Level 2 insurance group 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: GPS 310 requires a Level 2 insurance group to ensure that its Group Auditor conducts a limited assurance review of the group's annual accounts. Accordingly, the Group Auditor's report(s) as required by GPS 310 (relating to the information required by paragraph 4) must be provided to APRA by the time specified in GRS 001 (unless an extension of time is granted under GRS 001).

9. On the written application of the parent entity of a Level 2 insurance group, APRA may by notice in writing to the parent entity exclude the requirement under subparagraph 6(a) to provide half yearly information.

Quality control

10. The information provided by the parent entity of a Level 2 insurance group under this Reporting Standard must be the product of systems, processes and controls that have been reviewed and tested by the Group Auditor of the Level 2 insurance group. This will require the Group Auditor to review and test the Level 2 insurance group's systems,

processes and controls designed to enable the group 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 Group 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 GPS 310.
11. All information provided by the parent entity of a Level 2 insurance group under this Reporting Standard must be subject to systems, processes and controls developed by the Level 2 insurance group for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the parent entity of the Level 2 insurance group 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 a parent entity of a Level 2 insurance group 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.
13. If a parent entity of a Level 2 insurance group provides the information required by this Reporting Standard through an agent who submits using the 'Direct to APRA' software, on the parent entity of the Level 2 insurance group's behalf, the parent entity of the Level 2 insurance group must:
- (a) obtain from the agent a copy of the completed form with the information provided to APRA; and
 - (b) retain the completed copy.
14. An officer, or agent, of a parent entity of a Level 2 insurance group who submits the information under this Reporting Standard for, or on behalf of, the parent entity of a Level 2 insurance group must be authorised by either:
- (a) the Principal Executive Officer of the parent entity of the Level 2 insurance group; or
 - (b) the Chief Financial Officer of the parent entity of the Level 2 insurance group.

Variations

15. APRA may, by written notice to the parent entity of a Level 2 insurance group, vary the reporting requirements of Form GRF 117.0_G in relation to that Level 2 insurance group.

Transition

16. A parent entity of a Level 2 insurance group 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 parent entity of the Level 2 insurance group 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 a parent entity of a Level 2 insurance group 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 parent entity of a Level 2 insurance group is still required to provide any overdue reporting documents in accordance with the old reporting standard.

Interpretation

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

- (a) unless the contrary intention appears, words and expressions have the meanings given to them in GPS 001; and
- (b) ***APRA-authorized 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-authorized reinsurer if it carries on reinsurance business. The Australian Reinsurance Pool Corporation is also an APRA-authorized 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 parent entity of the Level 2 insurance group, by whatever name called;

financial year means the financial year (within the meaning of the *Corporations Act 2001*) of the parent entity of the Level 2 insurance group;

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;

Group Auditor has the meaning given in GPS 310;

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 current principal executive officer of the entity, regardless of title, and whether or not he or she is a member of the governing board of the entity; and

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

GRF_117_0_G: Asset Concentration Risk Charge (G)

Australian Business Number

Institution Name

Reporting Period

Scale Factor

Reporting Consolidation

1. Capital base
Capital base is calculated in form GRF 112.0G 'Determination of capital base (G)'

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

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_G: Asset Concentration Risk Charge (G)

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 of the Level 2 insurance group. 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.

International business

In respect of any overseas entities within a Level 2 insurance group carrying on international business, identification of asset or counterparty exposures is to be carried out on a best endeavours basis using information held by entities within the Level 2 insurance group, or otherwise publicly available information, in a manner consistent with the group's documented risk management policies.

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 Level 2 insurance group.

(8) Counterparty grade

Report the grade of the counterparty reported in column 1.

(9) Name of provider of eligible credit support

If the Level 2 insurance group holds collateral against the asset or if the asset has been guaranteed, report the name of the entity providing the eligible credit support.

If no eligible credit support is provided, report 'N/A'.

(10) Counterparty grade after eligible credit support

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) Exposure amount: Total

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.

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 Level 2 insurance group 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*.

(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.

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 Level 2 insurance group 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 Level 2 insurance group, or a Level 2 insurance group has used inappropriate judgement or estimation in calculating the Asset Concentration Risk Charge, APRA may adjust the Asset Concentration Risk Charge calculation for that Level 2 insurance group.

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.