



29 June 2022

TO: ALL GENERAL INSURERS

**RECOGNITION OF THE AUSTRALIAN REINSURANCE POOL CORPORATION (ARPC)
AS AN APRA-AUTHORISED REINSURER.**

Following the passing of legislation for a government cyclone and related flood damage reinsurance pool earlier this year, APRA has finalised changes to prudential standards *GPS 001 Definitions* (GPS 001), *GPS 114 Capital Adequacy: Asset Risk Charge* (GPS 114), *GPS 116 Capital Adequacy: Insurance Concentration Risk Charge* (GPS 116) and *GPS 117 Capital Adequacy: Asset Concentration Risk Charge* (GPS 117). These changes have been made to support the operation of the reinsurance pool, which will be administered by the ARPC, and give industry clarity of the requirements under APRA's prudential framework.

On 28 April 2022, APRA commenced a consultation on proposed amendments to GPS 001, GPS 114, GPS 116 and GPS 117 to clarify the treatment of reinsurance recoverables from the ARPC. These changes ensure that the reinsurance recoverables from the ARPC are not subject to a capital charge in recognition of the Australian Government guarantee that supports the scheme.

No submissions were received in response to APRA's consultation package, which closed on 1 June 2022.

APRA has finalised the amendments without further revision, and has incorporated them into GPS 001, GPS 114, GPS 116 and GPS 117 as proposed. The details of the amendments have been included at [Attachment A](#).

The changes take effect on 1 July 2022.

Yours sincerely,

Helen Rowell
Deputy Chair

Attachment A – Detail of amendments

Standards to be amended	Amendment made
<i>GPS 001 Definitions</i>	Paragraph 4 (APRA-authorised reinsurer definition): Inserted for the purposes of the definition that the Australian Reinsurance Pool Corporation is an APRA authorised reinsurer.
<i>GPS 114 Capital Adequacy Asset Risk Charge</i>	Paragraph 73: Removed footnote 7 as this will be redundant due to the change in the GPS 001 definition of APRA-authorised reinsurer.
<i>GPS 116 Capital Adequacy Insurance Concentration Risk Charge</i>	Paragraph 16 and Attachment B paragraph 11: Added a footnote that reinsurance cover provided by the ARPC will be treated as if it has a contractually agreed reinstatement.
<i>GPS 117 Capital Adequacy Asset Concentration Charge</i>	Paragraph 26: Removed footnote 1 as this will be redundant due to the change in the GPS 001 definition of APRA-authorised reinsurer.