



16 June 2022

TO: ALL GENERAL INSURERS

RECOGNITION OF AUSTRALIAN REINSURANCE POOL CORPORATION (ARPC) AS HIGH-GRADE APRA AUTHORISED REINSURANCE – CONSEQUENTIAL CHANGES TO REPORTING STANDARDS

APRA is proposing to make consequential changes to six general insurance reporting standards that incorporate APRA's earlier clarification of the treatment of reinsurance recoverables from the ARPC.

Background

In May 2021, the Australian Government announced its intention to establish a reinsurance pool covering the risk of property damage caused by cyclone and cyclone related-flood damage. The pool is intended to commence on 1 July 2022 and will be administered by the ARPC.

In April 2022 APRA stated its intention to allow insurers to fully recognise the risk transfer provided by the reinsurance pool in recognition of the Australian Government guarantee of the ARPC and proposed consequential updates to the prudential framework¹.

APRA proposal

The proposed changes align the general insurance reporting framework with APRA's clarification that reinsurance recoverables are not subject to a capital charge. APRA therefore proposes including the ARPC in the definition of an "*APRA authorised reinsurer*":

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.

It is proposed that this change be made in the following reporting standards:

- *Reporting Standard GRS 114.1 Assets by Counterparty Grade*
- *Reporting Standard GRS 114.1.G Assets by Counterparty Grade*
- *Reporting Standard GRS 114.3 Off-balance Sheet Business*
- *Reporting Standard GRS 114.3.G Off-balance Sheet Business*
- *Reporting Standard GRS 117.0 Asset Concentration Risk Charge*
- *Reporting Standard GRS 117.0.G Asset Concentration Risk Charge*

¹ See [Cyclone and cyclone related flood damage reinsurance pool | APRA](#).

Next steps

Subject to feedback received from this consultation, APRA proposes to amend the reporting standards listed above.

Draft reporting standards that include the proposed changes outlined in this letter can be accessed at [Cyclone and cyclone related flood damage reinsurance pool | APRA](#).

Written submissions on the proposal should be sent to DataConsultations@apra.gov.au by 29 June 2022.

Subject to feedback received from the consultation, APRA expects to finalise its changes to the reporting framework in time for submission of data for reporting periods commencing 1 July 2022.

Yours sincerely,

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