GRF_110_1_G: Prescribed Capital Amount (G)

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

Instructions for specific items

Section 1: Summary of prescribed capital amount

1. Insurance Risk Charge

The Insurance Risk Charge is the minimum amount of capital required to be held against insurance risks. The Insurance Risk Charge relates to the risk that the value of net insurance liabilities determined in accordance with *Prudential Standard GPS 320 Actuarial and Related Matters* (GPS 320) is insufficient to cover associated net claim payments and associated claim expenses as they fall due.

This is automatically calculated as Item 1.1 plus Item 1.2.

1.1 GRF 115.0: OCL Insurance Risk Charge

The risk charge for Outstanding Claims Risk relates to the risk that the value of net outstanding claims liabilities determined in accordance with GPS 320 will be insufficient to cover associated net claim payments and any associated claim expenses as they fall due.

This amount should correspond to Total OCL Insurance Risk Charge reported in section 5 of *GRF 115.0A_G Outstanding Claims Liabilities – Insurance Risk Charge – Australia by Class of Business* or Total OCL Insurance Risk Charge reported in section 5 of *GRF 115.0B_G Outstanding Claims Liabilities – Insurance Risk Charge – Australia by Region*.

1.2 GRF 115.1: PL Insurance Risk Charge

The risk charge for Premiums Liabilities Risk relates to the risk that the value of net premiums liabilities determined in accordance with GPS 320 will be insufficient to cover associated net claim payments and any associated claim expenses as they fall due.

This amount should correspond to Total Premiums Liabilities Insurance Risk Charge reported in section 15 - Column 7 in *GRF 115.1A_G Premiums Liabilities – Insurance Risk Charge – Australia by Class of Business* or Total Premiums Liabilities Insurance Risk Charge reported in Section 15 - Column 7 in *GRF 115.1B_G Premiums Liabilities – Insurance Risk Charge – Australia by Region*.

2. GRF 116.0: Insurance Concentration Risk Charge

The Insurance Concentration Risk Charge is the minimum amount of capital required to be held against insurance concentration risks. The Insurance Concentration Risk

Charge relates to the risk of an adverse movement in the Level 2 insurance group's capital base due to a single large loss or series of losses.

This amount should correspond to Item 6 in *GRF 116.0_G Insurance Concentration Risk Charge*.

3. GRF 114.0: Asset Risk Charge

The Asset Risk Charge is the minimum amount of capital required to be held against asset risks. The Asset Risk Charge relates to the risk of adverse movements in the value of a Level 2 insurance group's on-balance sheet and off-balance sheet exposures.

This amount should correspond to Item 7 in *GRF 114.0_G Asset Risk Charge*.

4. GRF 117.0: Asset Concentration Risk Charge

The Asset Concentration Risk Charge is the minimum amount of capital required to be held against asset concentration risks. The Asset Concentration Risk Charge relates to the risk resulting from investment concentrations in individual assets or large exposures to individual counterparties or groups of related counterparties.

This amount should correspond to Item 3.9 in *GRF 117.0_G Asset Concentration Risk Charge*.

5. GRF 118.0: Operational Risk Charge

The Operational Risk Charge is the minimum amount of capital required to be held against operational risks. The Operational Risk Charge relates to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

This amount should correspond to Item 4 in *GRF 118.0_G Operational Risk Charge*.

6. Less: Aggregation benefit

The aggregation benefit makes an explicit allowance for diversification between asset risk and the sum of insurance risk and insurance concentration risk in the calculation of the prescribed capital amount. It must be determined in accordance with *Prudential Standard GPS 110 Capital Adequacy* (GPS 110).

7. Adjustments to prescribed capital amount as approved by APRA

If APRA is of the view that the Standard Method for calculating 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 prescribed capital amount, APRA may adjust the prescribed capital amount calculation for that Level 2 insurance group.

Approved adjustments are to be reported separately in the associated table highlighting the description of the adjustment, transitional status and amount of adjustment applied. Where the adjustment is a transitional adjustment, the end date for the transitional period is to be clearly included in the description of the item.

An increase in the prescribed capital amount is to be reported as a positive value. This is calculated automatically as the sum of Column 3 in the table that follows.

8. Prescribed capital amount

The prescribed capital amount is automatically calculated as the sum of Items 1 to 5, less Item 6 plus Item 7.

Section 2: Capital Adequacy Assessment

9. GRF 112.0: Capital base

The capital base relates to the amount of capital eligible for the purpose of meeting the prudential capital requirement as set out in GPS 110.

The Level 2 insurance group's capital base represents the sum of total Tier 1 Capital and Tier 2 Capital, net of any regulatory adjustments to capital.

This amount should correspond to Item 3 in *GRF 112.0_G Determination of Capital Base* (GRF 112.0_G).

9.1. Of which: Common Equity Tier 1 Capital

This is the highest quality component of capital held by the Level 2 insurance group as determined under the eligibility characteristics set out in *Prudential Standard GPS 112 Capital Adequacy: Measurement of Capital* (GPS 112), net of all regulatory adjustments.

This should correspond to Item 1.1 of GRF 112.0_G.

9.2. Of which: Tier 1 Capital

Tier 1 Capital comprises Common Equity Tier 1 Capital and Additional Tier 1 Capital.

This should correspond to Item 1.3 of GRF 112.0_G.

10. Capital in excess of prescribed capital amount

This is the surplus or deficit of the Level 2 insurance group's capital base over its prescribed capital amount.

It is automatically calculated as Item 9 less Item 8.

11. Common Equity Tier 1 Capital ratio

This is the ratio of the Level 2 insurance group's Common Equity Tier 1 capital to its prescribed capital amount.

It is automatically calculated as Item 1.1 in GRF 112.0_G divided by Item 8 in this form.

12. Tier 1 Capital ratio

This is the ratio of the Level 2 insurance group's Tier 1 capital to its prescribed capital amount.

It is automatically calculated as Item 1.3 in GRF 112.0_G divided by Item 8 in this form.

13. Prescribed capital amount coverage (%)

This represents the coverage provided by the Level 2 insurance group's capital base over the prescribed capital amount.

It is automatically calculated as Item 9 divided by Item 8.