



27 September 2012

To all general insurers and life insurers

Life and general insurance capital review

Consultation on draft prudential practice guides and information paper

APRA has substantially completed a review of its capital standards for general insurers and life insurers.

The December 2011 response paper<sup>1</sup> noted APRA's intention to release a number of draft prudential practice guides (PPGs) for consultation in September 2012. APRA proposed that these PPGs would cover the Internal Capital Adequacy Assessment Process (ICAAP), APRA's process for determining supervisory adjustments, the Insurance Concentration Risk Charge for general insurers and the Asset Risk Charge.

APRA has today released the following drafts for consultation:

- Draft *Prudential Practice Guide CPG 110 Internal Capital Adequacy Assessment Process and supervisory review* (CPG 110);
- Draft *Prudential Practice Guide GPG 116 Insurance Concentration Risk* (GPG 116); and
- Draft *Information Paper: Asset Risk Charge*.

PPGs assist APRA-regulated entities to comply with prudential requirements and provide guidance on APRA's view of good practice. PPGs are not legally enforceable. Information Papers provide additional information to assist insurers in understanding a particular topic.

Draft CPG 110 aims to assist both insurers and authorised deposit-taking institutions (ADIs) in developing their ICAAP and in understanding APRA's supervisory review process. In conjunction with the finalisation of CPG 110, APRA proposes to revoke *Prudential Practice Guide GPG 110 Capital Adequacy: Capital Management* as the content of this PPG is either obsolete or now contained in CPG 110.

Draft GPG 116 aims to assist general insurers and Level 2 insurance groups in complying with the prudential requirements in relation to the Insurance Concentration Risk Charge and, more generally, to outline prudent practices in relation to insurance concentration risk.

The Asset Risk Information Paper provides insurers with additional information to assist in the calculation of the Asset Risk Charge.

In drafting the PPGs and Information Paper, APRA has included relevant information provided to industry through discussion, technical and response papers and has also incorporated, where relevant, formal and informal feedback from industry.

---

<sup>1</sup> [http://www.apra.gov.au/GI/PrudentialFramework/Documents/RP\\_RCSGILI\\_122011\\_v17.pdf](http://www.apra.gov.au/GI/PrudentialFramework/Documents/RP_RCSGILI_122011_v17.pdf)

APRA welcomes feedback on the draft PPGs and Information Paper by 21 December 2012. Submissions should be sent to [InsuranceCapital@apra.gov.au](mailto:InsuranceCapital@apra.gov.au). APRA will consider any feedback received and expects to release the final PPGs and Information Paper in the first quarter of 2013.

#### Final prudential standards and reporting forms and instructions

APRA intends to release the final prudential standards, along with a short response paper, in the week beginning 8 October 2012. In addition, APRA will release a response to submissions and the final reporting forms and instructions before the end of October 2012.

Yours sincerely



Charles Littrell  
Executive General Manager  
Policy, Research and Statistics

#### **Important Disclosure Notice - Publication of Submissions**

All information in submissions will be made available to the public on the APRA website unless a respondent expressly requests that all or part of the submission is to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as confidential in a separate attachment.

Submissions may be the subject of a request for access made under the Freedom of Information Act 1982 (FOIA). APRA will determine such requests, if any, in accordance with the provisions of the FOIA. Information in the submission about any APRA regulated entity which is not in the public domain and which is identified as confidential will be protected by section 56 of the Australian Prudential Regulation Authority Act 1998 and therefore will ordinarily be exempt from production under the FOIA.