



## Reporting Standard GRS 110.0\_G (2011)

### Minimum Capital Requirement (Level 2 Insurance Group)

#### Objective of this reporting standard

This reporting standard is made under section 13 of the *Financial Sector (Collection of Data) Act 2001* (the Collection of Data Act). It requires the parent entity of a Level 2 insurance group to report to APRA, generally on a semi-annual and annual basis, in relation to the Minimum Capital Requirement of the Level 2 insurance group.

This reporting standard outlines the overall requirements for the provision of this information to APRA. It should be read in conjunction with:

- *Form GRF 110.0\_G Minimum Capital Requirement* (Form GRF 110.0\_G) and the associated instructions (which are attached and all form part of this reporting standard); and
- any prudential standards referenced in the attached instructions.

#### Purpose

1. Data collected in Form GRF 110.0\_G is used by APRA for the purpose of prudential supervision including assessing a Level 2 insurance group's compliance with the capital standards.

#### Application and commencement

2. This reporting standard applies to a parent entity of a Level 2 insurance group for reporting periods commencing on or after 1 July 2011. The parent entity of

a Level 2 group is required to ensure that each requirement in this reporting standard is complied with.

### **Information required**

3. The parent entity of a Level 2 insurance group must provide APRA with the information required by the Form GRF 110.0\_G for each reporting period specified in paragraph 5 for the Level 2 insurance group.

### **Forms and method of submission**

4. The information required by this reporting standard must be given to APRA either:
  - (a) in electronic form using the 'Direct to APRA' application, applying one of the electronic submission mechanisms under that application; or
  - (b) by manually completing Form GRF 110.0\_G on paper and mailing the completed form to APRA's head office at Level 26, 400 George Street, Sydney, New South Wales.

Where the information is submitted on behalf of the Level 2 insurance group by an agent appointed by the parent entity of the Level 2 insurance group, the agent may only provide the information in accordance with subparagraph 4(b) if the agent has contacted APRA and advised that the agent cannot submit the information in electronic form under subparagraph 4(a).

*Note:* the Direct to APRA application software and paper forms may be obtained from APRA.

### **Reporting periods and due dates**

5. Subject to paragraph 6, the parent entity of a Level 2 insurance group must provide the information required by this reporting standard:
  - (a) in respect of each half year based on the financial year (as defined in *Prudential Standard GPS 001 Definitions (GPS 001)*) of the Level 2 insurance group on an unaudited basis; and
  - (b) in respect of each financial year (as defined in GPS 001) of the Level 2 insurance group on an audited basis.

*Note:* The annual information required by paragraphs 3, 4 and 5(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 311 Audit and Actuarial Reporting and Valuation: Level 2 Insurance Groups (GPS 311)* contains the relevant provisions governing audits.

6. APRA may, by notice in writing to the parent entity, change the reporting periods, or specified reporting periods, for a particular Level 2 insurance group to require it to provide the information:

- (a) more frequently (if, having regard to the particular circumstances of the Level 2 insurance group, APRA considers it necessary or desirable to obtain information more frequently for the purposes of the prudential supervision of the Level 2 insurance group); or
  - (b) less frequently (if, having regard to the particular circumstances of the Level 2 insurance group and the extent to which it requires prudential supervision, APRA considers it unnecessary to require the Level 2 insurance group to provide the information as frequently).
7. The information required by paragraph 3 of this reporting standard in respect of a Level 2 insurance group must be provided to APRA by the following times:
- (a) in the case of the half yearly information required by subparagraph 5(a) – three months after the end of the reporting period to which the information relates; and
  - (b) in the case of the audited annual information required by subparagraph 5(b) – four months after the end of the reporting period to which the information relates.

*Note:* GPS 311 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 311 (relating to the information required by paragraph 3) must be provided to APRA by the time specified in subparagraph 7(b) of this reporting standard (unless an extension is granted under paragraph 8).

8. APRA may by notice in writing to the parent entity grant a Level 2 insurance group an extension of a due date for the provision of the information, in which case the new due date will be the date on the notice of extension.
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 5(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 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 systems, processes and controls supporting the reporting of the information to ensure that they produce accurate data and are otherwise reliable. This review and testing must be done on:
- (a) an annual basis to enable the Group Auditor to form an opinion on the accuracy and reliability of the data; and
  - (b) at least a limited assurance engagement consistent with the 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 *Prudential Standard GPS 311 Audit and Actuarial Reporting and Valuation: Level 2 Insurance Groups*.

11. The information provided by the parent entity of a Level 2 insurance group under this reporting standard must be subject to 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. If an officer of a parent entity of a Level 2 insurance group provides the information required by this reporting standard:
  - (a) under subparagraph 4(a), the officer must digitally sign, authorise and encrypt the information (for which purpose APRA's certificate authority will issue digital certificates, for use with the 'Direct to APRA' application, to officers of the parent entity of the Level 2 insurance group who have authority from the parent entity of the Level 2 insurance group to transmit data to APRA); or
  - (b) under subparagraph 4(b), the completed form must be signed in accordance with paragraph 13.
13. If a parent entity of a Level 2 insurance group provides the information required by this reporting standard through an agent under either subparagraphs 4(a) or (b), the agent will not be required to sign or authorise the information. However, the Level 2 insurance group must:
  - (a) obtain from the agent a paper copy of the completed form as provided to APRA (whether it was provided under subparagraph 4(a) or (b)); and
  - (b) cause the paper copy to be signed in accordance with paragraph 14; and
  - (c) lodge the signed paper copy with APRA by mailing the completed form to APRA's head office at Level 26, 400 George Street, Sydney, New South Wales, by the relevant due date (unless APRA, in writing, waives the requirement to lodge the signed paper copy with APRA by varying this reporting standard in relation to the Level 2 insurance group).

*Note:* APRA may, for example, determine to waive the requirement under subparagraph 13(c) where a Level 2 insurance group has undertaken to retain the signed copy of the completed form for an agreed period of time.

14. If information under this reporting standard is provided in paper form, it must be signed on the front page of the relevant completed form 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 (whatever his or her official title may be).

### Minor alterations to forms and instructions

- 15. APRA may make minor variations to the instructions to a form, to clarify their application to the form without changing any substantive requirement in the form or instructions.
- 16. If APRA makes such a variation it must notify the parent entity of each Level 2 insurance group in writing.

### Adjustments

- 17. The parent entity of a Level 2 insurance group may apply in writing to APRA to vary the reporting requirements of *GRF 110.0\_G Minimum Capital Requirement (Level 2 Insurance Group)* in relation to that Level 2 insurance group. APRA may in its discretion in writing approve such an application.

### Transition

- 18. The parent entity of a Level 2 insurance group must report in relation to a reporting period ending prior to 1 July 2011 in accordance with the old standard.

### Interpretation

- 19. In this reporting standard (including the attachments):
  - (a) Unless the contrary intention appears, words and expressions have the meanings given to them in *Prudential Standard GPS 001 Definitions*;
  - (b) **APRA-authorised reinsurer** means an insurer carrying on reinsurance business. For the purposes of this definition, a Lloyd's underwriter as defined under the Act is an APRA-authorised reinsurer if it carries on reinsurance business;

*business days* means ordinary business days, exclusive of Saturdays, Sundays and public holidays;

*capital standards* means the prudential standards which relate to capital adequacy as defined in *Prudential Standard GPS 001 Definitions*;

*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.

**Group Auditor** has the meaning given in *Prudential Standard GPS 311 Audit and Actuarial Reporting and Valuation: Level 2 Insurance Groups*;

**Insurance Act** means the *Insurance Act 1973*;

**insurer** means a general insurer within the meaning 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;

**old standard** means Reporting Standard GRS 110.0\_G (2009) Minimum Capital Requirement made by Financial Sector (Collection of Data) (reporting standard) determination No. 17 of 2009;

**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;

**reporting period** means a period mentioned in subparagraph 5(a) or (b) or, if applicable, paragraph 6.

20. A reference to a prudential standard is a reference to the applicable prudential standard made under section 32 of the Insurance Act, as amended from time to time. If the prudential standard has been revoked and replaced, the reference shall be taken to be to the prudential standard that has replaced it.

**GRF\_110\_0\_G Minimum Capital Requirement (G)**

**Australian Business Number**

**Institution Name**

**Reporting Period**

**Scale Factor**

**Reporting Consolidation**

<b>1. GRF_131_0_G: Total off-balance sheet exposure risk charge</b>	
<b>2. GRF_141_0_G: Listed equity holdings risk charge</b>	
<b>3. GRF_150_0_G: Asset exposure concentration risk charge</b>	
<b>4. GRF_300_0_G: Statement of financial position - Investment risk charge</b>	
<b>5. GRF_301_0_G: Reinsurance assets and risk charge</b>	
<b>6. Derivatives activity and risk charge for:</b>	
6.1. Interest rate contracts	
6.2. Foreign exchange contracts	
6.3. Equity contracts	
6.4. Precious metal contracts (excluding gold)	
6.5. Other market-related contracts	
<b>6.6. Total derivative activity and risk charge</b>	
<b>7. Concentration risk charge for:</b>	
7.1. Maximum event retention	
7.2. Cost of one reinstatement	
<b>7.3. Total concentration risk charge</b>	
<b>8. GRF_210_0_G: OCL insurance risk charge</b>	
<b>9. GRF_210_1_G: Premiums liabilities insurance risk charge</b>	
<b>Variation in capital charges as approved by APRA</b>	
<b>Description</b>	<b>Amount</b>
<b>10. Total variation in capital charges as approved by APRA</b>	
<b>11. Minimum capital requirement</b>	
<b>12. GRF_120_0_G: Determination of capital base</b>	
<b>13. Capital surplus (deficiency)</b>	
<b>14. Solvency coverage</b>	
<b>15. Capital adequacy ratio %</b>	



# Reporting Form GRF 110.0\_G

## Minimum Capital Requirement (Level 2 Insurance Group)

### Instruction Guide

#### Introduction

This form collects information on:

- a summary of the risk charges;
- the Minimum Capital Requirement (MCR);
- the capital base; and
- whether the Level 2 insurance group complies with the capital requirements as prescribed in *Prudential Standard GPS 111 Capital Adequacy: Level 2 Insurance Groups (GPS 111)*.

Most of the individual risk charges and capital base summarised on this form (with the exception of Derivatives Activities. Concentration Risk and APRA-approved variations of capital charges) are calculated in other forms. The form will automatically calculate the MCR of the Level 2 insurance group based on the information reported for each risk charge. Additionally, information relating to the capital surplus/deficiency and capital ratios will be automatically calculated by the form.

#### Audit requirements

The annual return of *GRF 110.0\_G Minimum Capital Requirement (Level 2 Insurance Group) (GRF 110.0\_G)* required under paragraphs 3 and 5(c) of *Reporting Standard GRS 110.0\_G Minimum Capital Requirement (Level 2 Insurance Group) (GRS 110.0\_G)* must be subject to a limited assurance<sup>1</sup> review by the Group Auditor (see *Prudential Standard GPS 311 Audit and Actuarial Reporting and Valuation: Level 2 Insurance Groups (GPS 311)*).

The Group Auditor must prepare a review report on the basis of a limited assurance engagement in accordance with the requirements of GPS 311. Assurance in the review report will be provided in the form of negative assurance. To express negative assurance in the review report, the auditor will use limited procedures to obtain sufficient appropriate evidence. Enquiries of the Level 2 insurance group's staff and

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<sup>1</sup> Limited assurance is as defined in *Prudential Standard GPS 001 Definitions*

analytical procedures will be the primary tools used to obtain evidence. These procedures will not provide all the evidence that would be required in an audit.

The scope and nature of audit testing required is outlined in the *Standard on Assurance Engagement ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Auditing and Assurance Standards Board.

### **Reporting entities**

GRF 110.0\_G is to be completed by the parent entity of a Level 2 insurance group as defined under *Prudential Standard GPS 001 Definitions (GPS 001)*.

Consolidation at Level 2 should cover the Level 2 insurance group as defined under GPS 001.

### **Unit of measurement**

This form is to be presented in Australian dollars (**AUD**), rounded to thousands of dollars, with no decimal place. Ratios are expressed to two decimal places.

Amounts denominated in foreign currency are to be converted to AUD in accordance with Australian accounting standards.

Transactions arising under foreign currency derivative contracts at the reporting date must be prepared in accordance with Australian accounting standards.

### **Materiality**

GRF 110.0\_G is to be prepared based on the concept of materiality as applied in Australian accounting standards subject to APRA's discretion. APRA's discretion is likely to apply in instances where the application of materiality criteria is not suitable for prudential reporting purposes.

### **Reporting period**

Level 2 insurance groups are required to report the information in the reporting form. This information is to be reported on three occasions in a Level 2 insurance group's financial year. A Level 2 insurance group is required to submit:

- semi-annual return which is to be completed in respect of each half year from the start of the financial year of the Level 2 insurance group; and
- an audited annual return which will be based on a limited assurance review by the Group Auditor (see Audit requirements).

The financial information requested in this form is to be reported as at the last day of the reporting period on a financial year to date basis of the Level 2 insurance group.

## **Reporting lag**

Submission times for Level 2 reporting forms are as follows (in accordance with GRS 110.0\_G):

- The semi-annual return is to be lodged within three months after the end of the reporting period.
- The audited annual return is to be lodged within four months after the end of the reporting period.

## **Adjustments**

The parent entity of a Level 2 insurance group may apply in writing to APRA to vary the reporting requirements of GRF 110.0\_G in relation to that Level 2 insurance group. APRA may, at its discretion, approve such an application in writing.

## Specific instructions

### 1. GRF 131.0\_G Total off-balance sheet exposure risk charge

This represents the total capital charge applicable for the off-balance sheet exposures of the Level 2 insurance group. This amount is calculated in item titled 'Total Off-Balance Sheet Exposure Risk Charge' in *GRF 131.0\_G Off-Balance Sheet Exposure Risk Charge (Level 2 Insurance Group)*. This figure needs to be manually entered into this data field.

### 2. GRF 141.0\_G Listed equity holdings risk charge

This represents the total investment risk charge applicable for holdings of listed equities. This amount is calculated in the item titled 'Listed Equity Holdings Risk Charge' in *GRF 141.0\_G Listed Equity Holdings and Risk Charge (Level 2 Insurance Group)* (**GRF 141.0\_G**). This figure needs to be manually entered into this data field.

### 3. GRF 150.0\_G Asset exposure concentration risk charge

This represents the total investment concentration risk charge for exposures listed in *GRF 150.0\_G Asset Exposure Concentrations and Risk Charge (Level 2 Insurance Group)* (**GRF 150.0\_G**). This figure represents the item titled 'Net concentration risk charge' calculated in GRF 150.0\_G. This figure needs to be manually entered into this data field.

### 4. GRF 300.0\_G Statement of financial position - Investment risk charge

This represents the total investment risk charge for all applicable assets listed in *GRF 300.0\_G Statement of Financial Position (Level 2 Insurance Group)* (**GRF 300.0\_G**). This figure represents the sum of the individual investment risk charges calculated under the column heading 'Investment Risk Charge' and is reported for item 8 'Total Assets' in GRF 300.0\_G. It excludes derivatives and other assets that are subject to a risk charge under the form GRF 141.0\_G and *GRF 301.0\_G Reinsurance Assets and Risk Charge (Level 2 Insurance Group)* (**GRF 301.0\_G**). This figure needs to be manually entered into this data field.

### 5. GRF 301.0\_G Reinsurance assets and risk charge

This figure represents the sum of the individual investment risk charges calculated under the column heading 'Investment Risk Charge' and is reported for item 4 'Net Reinsurance Assets' in GRF 301.0\_G. This figure needs to be manually entered into this data field.

### 6. Derivatives Activity and Risk Charge

This represents the required capital charge associated with a Level 2 insurance group's exposure to derivative financial instruments and is based on the method for calculating the Investment Risk Capital Charge under the Prescribed Method as set out in GPS 111 and *Prudential Standard GPS 114 Capital Adequacy: Investment Risk Capital Charge (GPS 114)*.

## Reporting Supplement for Derivatives Activities and Risk Charge

In determining the Investment Risk Capital Charge for each type of derivative contract, Level 2 insurance groups will need to complete the necessary calculations outside of this reporting form. These calculations do not constitute part of the formal accounts but must be submitted to APRA separately unless APRA advises otherwise. The reporting supplement is to be submitted to the Level 2 insurance group's APRA Responsible Supervisor.

### Derivative financial instruments

Derivatives expose Level 2 insurance groups to a full range of investment risks, even though in many cases there may be no, or only a small, initial outlay. Level 2 insurance groups must set aside capital to cover the Investment Risk of these transactions particularly where derivatives are used for reasons other than to hedge an underlying physical position.

Where the Level 2 insurance group has derivatives over listed equities, the investment risk capital charge is applied on a portfolio basis and consists of the equity market risk component and equity basis risk component and may include a counterparty risk component (see paragraph 47 of GPS 114 as read with GPS 111).

Exclude:

- Derivative margin accounts, which hold deposits lodged with an exchange or clearing house as collateral to cover adverse movements in market prices. These balances are to be reported in GRF 300.0\_G;
- The equity market risk component and basis risk component of derivatives over listed equities. These are to be reported under item 1.3 'Derivative position' in GRF 141.0\_G. However, the counterparty risk component of derivatives over listed equities which are not traded on futures and options exchanges or subject to daily mark-to-market and margin payment must be included in this form as required by paragraphs 47 to 50 of GPS 114 as read with GPS 111; and
- Repurchase/Resale agreements despite their similarity to FRAs and/or swaps.

For the purposes of this reporting form, derivatives activity has been separated into:

- Interest rate contracts;
- Foreign exchange contracts;
- Equity contracts;
- Precious metals contracts (excluding gold); and
- Other market-related contracts.

## Investment Capital Factor %

The investment capital factors to be used are specified in GPS 114. These are based on the rating of the counterparty to the derivative contract.

## Potential exposure add-on factors %

Level 2 insurance groups are required to take into account the potential exposure add-on factors as specified in GPS 114 as read with GPS 111:

Residual Maturity	Interest Rate Contracts	Foreign Exchange & Gold Contracts	Equity Contracts	Precious Metal Contracts (except gold)	Other Contracts
Less than 1 yr	Nil	1.0%	6.0%	7.0%	10.0%
1 year to less than 5 yrs	0.5%	5.0%	8.0%	7.0%	12.0%
More than 5 yrs	1.5%	7.5%	10.0%	8.0%	15.0%

## Asset equivalent

When determining the counterparty risk component of the risk charge for each derivative instrument, the asset equivalent value of the derivative needs to be calculated. The asset equivalent of each derivative exposure is to be calculated based on the prescribed method set out in GPS 114 as read with GPS 111 and should take into account the residual maturity<sup>2</sup> of the derivative financial instrument. The asset equivalent value is calculated as the sum of:

1. Positive mark-to-market value (or replacement cost) of the derivative position (refer below); plus
2. A potential exposure add-on.

## Current mark-to-market value of derivative position

The current mark-to-market value of a derivative is only applicable where the position has a positive replacement value to the Level 2 insurance group. If the current mark-to-market value of the position is negative or zero, the value should not be included in the calculation, as the calculation of the asset equivalent amount captures the credit risk value of the derivative position to the group.

## A potential exposure add-on

The potential exposure add-on for a derivative position is to be determined by multiplying the notional principal<sup>3</sup> amount of the derivative contract by the appropriate credit conversion factors outlined in the table above. This component of

<sup>2</sup> Residual maturity refers to the time remaining from the reporting date to the maturity date of the derivative financial contract.

<sup>3</sup> Principal amount refers to the face value or notional principal amount of the derivative financial contract.

the calculation is required for all derivatives regardless of whether the derivative contract has a positive, zero or negative mark-to-market value.<sup>4</sup>

## **Investment Risk Capital Charge**

This is to be calculated in accordance with the prudential standard GPS 111. For each derivative instrument, the capital charge is to be calculated by multiplying the asset equivalent value by the investment capital factor applicable for each counterparty grade in accordance with GPS 111.

## **Risk Charge**

Report the aggregate investment risk charge for:

### **6.1 Interest rate contracts;**

This figure needs to be manually entered into this data field.

### **6.2 Foreign exchange contracts;**

This figure needs to be manually entered into this data field.

### **6.3 Equity contracts;**

This figure needs to be manually entered into this data field. Only include the counterparty risk component of the investment risk charge of derivatives over listed equities which are not traded on futures and options exchanges or subject to daily mark-to-market and margin payment. The equity market risk component and basis risk component of all derivatives over listed equities are to be reported under item 1.3 'Derivative position' in GRF 141.0\_G.

### **6.4 Precious metals contracts (excluding gold); and**

This figure needs to be manually entered into this data field.

### **6.5 Other market-related contracts.**

This figure needs to be manually entered into this data field.

### **6.6 Total derivative activity and risk charge**

Do not enter a value in this field as this is automatically calculated by the form. This is the sum of the capital charges for all contract types (items 6.1 to 6.5).

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<sup>4</sup> Mark to market value (or replacement cost) represents the difference between:

- the price of entering into a new contract to replace the original contract and
- the price of the original contract excluding transaction costs

## **7. Concentration risk charge**

This represents the total Concentration Risk Capital Charge applicable for the Level 2 insurance group calculated in accordance with GPS 111.

Prudential standards GPS 111 and *Prudential Standard GPS 116 Capital Adequacy: Concentration Risk Capital Charge (GPS 116)* detail the calculation for the Prescribed Method in determining the Concentration Risk Capital Charge. GPS 116 as read with GPS 111 sets out the issues that a Level 2 insurance group should consider in setting its Maximum Event Retention (MER) for catastrophe purposes.

### **7.1 Maximum event retention**

Refer to prudential standards GPS 111 and GPS 116 for further information on the method of calculation and definitions.

This figure needs to be manually entered into this data field.

### **7.2 Cost of one reinstatement**

This represents the cost of one reinstatement if it is not prepaid. This figure needs to be manually entered into this data field.

### **7.3 Total concentration risk charge**

The concentration risk charge is set equal to the Level 2 insurance group's MER, plus the cost of one reinstatement of the catastrophe cover in cases where the reinstatement reinsurance cover has not been pre-paid.

Do not enter a value in this field as this is automatically calculated by the form. This is equal to the maximum event retention plus the cost of one reinstatement (items 7.1 and 7.2).

## **8. GRF 210.0\_G OCL - insurance risk charge**

This represents the total insurance risk charge applicable in response to the risk that the true value of the net Outstanding Claims Liability (OCL) of the Level 2 insurance group is greater than the value determined under GPS 311. This figure represents the 'Total' line item under the column headed 'OCL Insurance Risk Charge' from Table 5 in *GRF 210.0A\_G Outstanding Claims Liability - Insurance Risk Charge – Australia by class of business (Level 2 Insurance Group)* or *GRF 210.0B\_G Outstanding Claims Liability – Insurance Risk Charge – Australia by region (Level 2 Insurance Group)*. This figure needs to be manually entered into this data field.

## **9. GRF 210.1\_G Premiums liabilities - insurance risk charge**

This represents the total insurance risk charge applicable in response to the risk that the true value of the net premiums liabilities of the Level 2 insurance group is greater than the value determined under GPS 311. This figure represents the 'Total' line item under the column headed 'Total Premiums Liabilities Risk Charge' in Part D in *GRF 210.1A\_G Premiums Liabilities - Insurance Risk Charge – Australia by class of business (Level 2 Insurance Group)* or *GRF 210.1B\_G Premiums Liabilities –*



*Insurance Risk Charge – Australia by region (Level 2 Insurance Group)*. This figure needs to be manually entered into this data field.

#### **10. Total variation in capital charges as approved by APRA**

Report the variation in capital charges in this item with a brief description (no more than 200 characters) and the amount of each variation which has been approved by APRA. A reduction in risk charges resulting from variations has to be reported as a negative number while any increase needs to be reported as a positive number.

Where a Level 2 insurance group uses the Internal Model-based Method (**IMB Method**) to determine the MCR in accordance with *Prudential Standard GPS 113 Capital Adequacy: Internal Model-based Method*, the difference between the MCR determined using the Prescribed Method and the IMB Method should be reported here. During the first two years of the use of the IMB Method by an insurance group, the MCR determined using the IMB Method should be, as a minimum, at least 90 per cent of the MCR determined using the Prescribed Method.

The total variation is calculated automatically by the form.

#### **11. Minimum capital requirement**

This item is automatically calculated by the form and represents the sum of items 1 through to 10.

#### **12. GRF 120.0\_G Determination of capital base**

This represents the total eligible capital base of the Level 2 insurance group. This amount is calculated in item 3 'Total Capital Base' in *GRF 120.0\_G Determination of Capital Base (Level 2 Insurance Group)*. This figure needs to be manually entered into this data field.

#### **13. Capital surplus (deficiency)**

This figure represents the value of item 12 less the amount calculated for item 11.

This figure is automatically calculated by the form.

#### **14. Solvency coverage**

This figure represents the value of item 12 divided by the value of item 11.

This figure is automatically calculated by the form.

#### **15. Capital adequacy ratio %**

This is another way of looking at the solvency coverage and represents the value of item 11 divided by the value of item 12.

This figure is automatically calculated by the form.