



# Reporting Standard GRS 110.1

## Prescribed Capital Amount

### Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA relating to a general insurer's prescribed capital amount.

It includes associated specific instructions must be read in conjunction with *Reporting Standard GRS 001 Reporting Requirements* (GRS 001), including the general instruction guide and *Prudential Standard GPS 110 Capital Adequacy*.

### Authority

1. This Reporting Standard is made under section 13 of the *Financial Sector (Collection of Data) Act 2001*.

### Purpose

2. The information reported to APRA under this Reporting Standard is used by APRA for the purpose of prudential supervision including assessing compliance with the capital standards.

### Application and commencement

3. This Reporting Standard applies to all general insurers authorised under the *Insurance Act 1973* (insurers). This Reporting Standard applies for reporting periods ending on or after 1 July 2023.

### Information required

4. An insurer must provide APRA with the information required by this Reporting Standard for each reporting period.

### Method of submission

5. The information required by this Reporting Standard must be given to APRA:
  - (a) in electronic format using an electronic method available on APRA's website; or
  - (b) by a method notified by APRA prior to submission.

## Reporting periods and due dates

6. Subject to paragraph 7, an insurer must provide the information required by this Reporting Standard:
  - (a) in respect of each quarter based on the financial year of the insurer; and
  - (b) in respect of each financial year of the insurer.

*Note:* The annual information required from an insurer by paragraphs 4, 5 and 6(b), together with certain annual information required by other reporting standards, will form part of the insurer's yearly statutory accounts within the meaning of section 3 of the Insurance Act. This means that the information must be audited in accordance with paragraph 49J(1)(a) of the Insurance Act. Under subsection 49J(3), the principal auditor of the insurer must give the insurer a certificate relating to the yearly statutory accounts, and that certificate must contain statements of the auditor's opinions on the matters required by the prudential standards to be dealt with in the certificate.

7. If, having regard to the particular circumstances of an insurer, APRA considers it necessary or desirable to obtain information more or less frequently than as provided by subparagraph 6(a) or 6(b), APRA may, by notice in writing, change the reporting periods, or specify reporting periods, for the particular insurer.
8. The information required by this Reporting Standard in respect of an insurer must be provided to APRA:
  - (a) in the case of quarterly information, within 20 business days after the end of the reporting period to which the information relates;
  - (b) in the case of annual information, within three months after the end of the reporting period to which the information relates; or
  - (c) in the case of information provided in accordance with paragraph 7, within the time specified by notice in writing.

*Note:* Paragraph 49L(1)(a) of the Insurance Act provides that the auditor's certificate required under subsection 49J(3) of that Act must be lodged with APRA in accordance with the prudential standards. The prudential standards provide that the certificate must be submitted to APRA together with the yearly statutory accounts. Accordingly, the auditor's certificate relating to the annual information referred to in subparagraph 6(b) must be provided to APRA by the time specified in GRS 001 (unless an extension of time is granted under GRS 001).

9. APRA may, in writing, grant an insurer an extension of a due date in paragraph 8, in which case the new due date will be the date on the notice of extension.

*Note:* For the avoidance of doubt, if the due date for a particular reporting period falls on a day other than a usual business day, an insurer is nonetheless required to submit the information required no later than the due date.

## Quality control

10. The information provided by an insurer under this Reporting Standard must be the product of systems, processes and controls that have been reviewed and tested by the Appointed Auditor of the insurer. This will require the Appointed Auditor to review and

test the insurer's systems, processes and controls designed to enable the insurer to report reliable financial information to APRA. This review and testing must be done on:

- (a) an annual basis or more frequently if necessary to enable the Appointed Auditor to form an opinion on the reliability and accuracy of data; and
  - (b) at least a limited assurance engagement consistent with professional standards and guidance notes issued by the Auditing and Assurance Standards Board as may be amended from time to time, to the extent that they are not inconsistent with the requirements of *Prudential Standard GPS 310 Audit and Related Matters*.
11. All information provided by an insurer under this Reporting Standard must be subject to systems, processes and controls developed by the insurer for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the insurer to ensure that an appropriate set of policies and procedures for the authorisation of data submitted to APRA is in place.

### Authorisation

12. When an officer, or agent, of an insurer provides the information required by this Reporting Standard using an electronic format the officer, or agent, must digitally sign the relevant information using a digital certificate acceptable to APRA.
13. If the information required by this Reporting Standard is provided by an agent who submits the information on the insurer's behalf, the insurer must:
- (a) obtain from the agent a copy of the completed information provided to APRA; and
  - (b) retain the completed copy.
14. An officer, or agent, of an insurer who submits the information under this Reporting Standard for, or on behalf of, the insurer must be authorised by either:
- (a) the Principal Executive Officer of the insurer; or
  - (b) the Chief Financial Officer of the insurer.

### Variations

15. APRA may, by written notice to the insurer, vary the reporting requirements of this Reporting Standard in relation to that insurer.

### Transition

16. An insurer must report under the old reporting standard in respect of a transitional reporting period. For these purposes:

***old reporting standard*** means the reporting standard revoked in the determination making this Reporting Standard (being the reporting standard which this Reporting Standard replaces); and

***transitional reporting period*** means a reporting period under the old reporting standard:

- (a) which ended before 1 July 2023; and
- (b) in relation to which the insurer was required, under the old reporting standard, to report by a date on or after the date of revocation of the old reporting standard.

*Note:* For the avoidance of doubt, if an insurer was required to report under an old reporting standard, and the reporting documents were due before the date of revocation of the old reporting standard, the insurer is still required to provide any overdue reporting documents in accordance with the old reporting standard.

## Interpretation

### 17. In this Reporting Standard:

- (a) unless the contrary intention appears, words and expressions have the meanings given to them in *Prudential Standard GPS 001 Definitions* (GPS 001); and
- (b) the following definitions are applicable:

***Appointed Auditor*** means an auditor appointed under paragraph 39(1)(a) of the Insurance Act;

***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;

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

***Chief Financial Officer*** means the chief financial officer of the insurer, by whatever name called;

***financial year*** means the financial year (within the meaning in the *Corporations Act 2001*) of the insurer;

***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.

***general instruction guide*** refers to the general instruction guide set out in Attachment A of GRS 001;

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

***insurer*** means a general insurer within the meaning of section 11 of the Insurance Act;

*Note:* In this Reporting Standard, 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;

***Principal Executive Officer*** means the principal executive officer of the insurer, by whatever name called, and whether or not he or she is a member of the governing board of the insurer; and

***reporting period*** means a period mentioned in subparagraph 6(a) or 6(b) or, if applicable, paragraph 7.

18. Unless the contrary intention appears, a reference to an Act, Prudential Standard, Reporting Standard, Australian Accounting or Auditing Standard is a reference to the instrument as in force from time to time.

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## Prescribed Capital Amount

### General instructions

#### Reporting tables

Tables described in this reporting standard list each of the data fields required to be reported. The data fields are listed sequentially in the column order that they will appear in the reported data set. Constraints on the data that can be reported for each field have also been provided.

#### Category of insurer

The different categories of insurer are defined in *Prudential Standard GPS 001 Definitions* (GPS 001).

#### Definitions

Terms in ***bold italics*** are defined in this Definitions section of these instructions.

#### A

<b><i>Adjustments to prescribed capital amount as approved by APRA</i></b>	These are adjustments made to an insurer's <b><i>prescribed capital amount</i></b> if APRA is of the view that the Standard Method for calculating the <b><i>prescribed capital amount</i></b> does not produce an appropriate outcome in respect of a reporting insurer, or a reporting insurer has used inappropriate judgement or estimation in calculating the <b><i>prescribed capital amount</i></b> .
<b><i>Aggregation benefit</i></b>	The <b><i>aggregation benefit</i></b> makes an explicit allowance for diversification between asset risk and the sum of insurance risk and insurance concentration risk in the calculation of the <b><i>prescribed capital amount</i></b> .  This must be determined in accordance with <i>Prudential Standard GPS 110 Capital Adequacy</i> (GPS 110).
<b><i>Asset Concentration Risk Charge</i></b>	The <b><i>Asset Concentration Risk Charge</i></b> is the minimum amount of capital required to be held against asset concentration risks. The <b><i>Asset Concentration Risk Charge</i></b> relates to the risk resulting from investment concentrations in individual assets or large exposures to individual counterparties or groups of related counterparties resulting in adverse movements in the reporting insurer's capital base.  This must be determined in accordance with <i>Prudential Standard GPS 117 Capital Adequacy: Asset Concentration Risk Charge</i> (GPS 117).
<b><i>Asset Risk Charge</i></b>	The <b><i>Asset Risk Charge</i></b> is the minimum amount of capital required to be held against asset risks. The <b><i>Asset Risk Charge</i></b> relates to the risk of adverse movements in the value of a reporting insurer's capital base due to credit or market risks

	This must be determined in accordance with <i>Prudential Standard GPS 114 Capital Adequacy: Asset Risk Charge</i> (GPS 114).
<b><i>Asset Risk Charge - aggregated risk charge component</i></b>	A regulated institution must calculate the <b><i>risk charge components</i></b> , as defined in GPS 114, by considering the impact on the capital base of the regulated institution of a range of stresses. These <b><i>risk charge components</i></b> are then aggregated using the formula set out in GPS 114. The result of applying the formula is defined as the <b><i>Asset Risk Charge - aggregated risk charge component</i></b> .
<b><i>Asset Risk Charge - impact of diversification</i></b>	The <b><i>Asset Risk Charge - impact of diversification</i></b> relates to the recognition of diversification benefits between the asset risk charge components as set out in GPS 114. This item must be calculated as the sum of the <b><i>risk charge components</i></b> less the <b><i>Asset Risk Charge - aggregated risk charge component</i></b> .
<b><i>Asset Risk Charge - tax benefit deduction</i></b>	This represents the tax benefits deducted from the <b><i>Asset Risk Charge - aggregated risk charge component</i></b> as determined in accordance with GPS 114. It comprises the tax benefits resulting from the <b><i>Asset Risk Charge</i></b> stresses, reduced to allow for the reduction in <b><i>Asset Risk Charge</i></b> due to the aggregation formula.

## I

<b><i>Insurance Concentration Risk Charge</i></b>	<p>The <b><i>Insurance Concentration Risk Charge</i></b> is the minimum amount of capital required to be held against insurance concentration risks. The <b><i>Insurance Concentration Risk Charge</i></b> relates to the risk of an adverse movement in the reporting insurer's capital base due to a single large loss or series of losses.</p> <p>This must be determined in accordance with <i>Prudential Standard GPS 116 Capital Adequacy: Insurance Concentration Risk Charge</i> (GPS 116).</p>
<b><i>Insurance Risk Charge</i></b>	<p>The <b><i>Insurance Risk Charge</i></b> is the minimum amount of capital required to be held against insurance risks determined in accordance with <i>Prudential Standard GPS 115 Capital Adequacy: Insurance Risk Charge</i> (GPS 115). The <b><i>Insurance Risk Charge</i></b> relates to the risk that the value of net insurance liabilities determined in accordance with <i>Prudential Standard GPS 340 Insurance Liability Valuation</i> (GPS 340) is insufficient to cover associated net claim payments and associated claim expenses as they fall due.</p> <p>This must be calculated as the sum of:</p> <ul style="list-style-type: none"> <li>• <b><i>OCL Insurance Risk Charge</i></b>; and</li> <li>• <b><i>Total PL Insurance Risk Charge</i></b>.</li> </ul>

## L

<b><i>Lenders mortgage insurer</i></b>	This refers to whether the reporting insurer is a <b><i>lenders mortgage insurer</i></b> as defined in GPS 001.
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## O

<b><i>OCL Insurance Risk Charge</i></b>	<p>The risk charge for outstanding claims risk relates to the risk that the value of net outstanding claims liabilities (OCL) determined in accordance with GPS 340 will be insufficient to cover associated net claim payments and any associated claim expenses as they fall due.</p> <p>This is to be determined in accordance with <i>Prudential Standard GPS 115 Insurance Risk Charge</i> (GPS 115).</p>
<b><i>Operational Risk Charge</i></b>	<p>The <b><i>Operational Risk Charge</i></b> is the minimum amount of capital required to be held against operational risks. The <b><i>Operational Risk Charge</i></b> relates to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.</p> <p>This must be determined in accordance with <i>Prudential Standard GPS 118 Capital Adequacy: Operational Risk Charge</i> (GPS 118).</p>
<b><i>Operational Risk Charge for inwards reinsurance business (ORCI)</i></b>	This is the <b><i>Operational Risk Charge</i></b> relating to the reporting insurer's inwards reinsurance business. This must be calculated using the formula in accordance with GPS 118.
<b><i>Operational Risk Charge for business that is not inwards reinsurance (ORCNI)</i></b>	This is the <b><i>Operational Risk Charge</i></b> relating to business written directly by the reporting insurer. This must be calculated using the formula in accordance with GPS 118.

## P

<b><i>Prescribed capital amount</i></b>	<p>The <b><i>prescribed capital amount</i></b> must be determined in accordance with GPS 110.</p> <p>It is calculated as the sum of:</p> <ul style="list-style-type: none"> <li>• <b><i>Insurance Risk Charge;</i></b></li> <li>• <b><i>Insurance Concentration Risk Charge;</i></b></li> <li>• <b><i>Asset Risk Charge;</i></b></li> <li>• <b><i>Asset Concentration Risk Charge;</i></b></li> <li>• <b><i>Operational Risk Charge;</i></b></li> </ul>
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	<ul style="list-style-type: none"> <li>• <i>Adjustments to prescribed capital amount as approved by APRA</i>; and</li> </ul> <p>less:</p> <ul style="list-style-type: none"> <li>• <i>Aggregation benefit.</i></li> </ul> <p>Where the reporting insurer is a Category D or E insurer, the prescribed capital amount is subject to a minimum of \$2 million. For all other reporting insurers, the <i>prescribed capital amount</i> is subject to a minimum of \$5 million.</p>
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**R**

<b><i>Risk charge components</i></b>	The <i>risk charge components</i> , have the same meaning as in, and must be calculated in accordance with, GPS 114. These are calculated by determining the fall in the capital base of the regulated institution in seven stress tests.
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**T**

<b><i>Total PL Insurance Risk Charge</i></b>	<p>This is the Insurance Risk Charge in respect of premiums liability (PL) risk, which relates to the risk that the value of the net PL is greater than the value determined in accordance with GPS 340. It also relates to the risk that material net written premium, as defined in GPS 115, will be insufficient to fund the liabilities arising from that business.</p> <p>This must be determined in accordance with GPS 115.</p>
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## Specific Instructions

**Table 1: Prescribed Capital Amount**

### Reporting basis

Report information related to the licensed insurer's *Prescribed Capital Amount*.

### Units of measurement

Report the dollar values in this table in whole Australian dollars

### Lenders Mortgage Insurer

Report 'Yes' if the reporting insurer is a *lenders mortgage insurer*, otherwise report 'No'.

<b>Column 1</b>	Report the value for each of the items listed below.
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### 1. Insurance Risk Charge

<b>Item 1</b>	<i>Insurance Risk Charge</i> is a derived item and is calculated as the sum of items 1.1 and 1.2.
<b>Item 1.1</b>	Report the <i>OCL Insurance Risk Charge</i> .
<b>Item 1.2</b>	Report the <i>Total PL Insurance Risk Charge</i> .

### 2. Insurance Concentration Risk Charge

<b>Item 2</b>	Report the <i>Insurance Concentration Risk Charge</i> .
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### 3. Asset Risk Charge

<b>Item 3</b>	Report the <i>Asset Risk Charge</i> .
<b>Item 3.1</b>	Report the <i>Asset Risk Charge - aggregated risk charge component</i> .
<b>Item 3.2</b>	Report the <i>Asset Risk Charge - impact of diversification</i> .
<b>Item 3.3</b>	Report the <i>Asset Risk Charge - tax benefit deduction</i> .

### 4. Asset Concentration Risk Charge

<b>Item 4</b>	Report the <i>Asset Concentration Risk Charge</i> .
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### 5. Operational risk charge

<b>Item 5</b>	Report the <i>Operational Risk Charge</i> .
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<b>Item 5.1</b>	Report the <i>Operational Risk Charge for inwards reinsurance business (ORCI)</i> .
<b>Item 5.2</b>	Report the <i>Operational Risk Charge for business that is not inwards reinsurance (ORCNI)</i> .

## 6. Aggregation benefit

<b>Item 6</b>	<p>Report the <i>aggregation benefit</i>.</p> <p>An <i>aggregation benefit</i> which would result in a decrease to the <i>prescribed capital amount</i> should be reported as a positive value.</p>
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## 7. Adjustments to prescribed capital amount as approved by APRA

<b>Item 7</b>	<p>Report the <i>adjustments to prescribed capital amount as approved by APRA</i>.</p> <p>These are to be reported separately in the associated table outlining 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.</p> <p>Report increases in the prescribed capital amount as positive values.</p>
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## 8. Prescribed capital amount

<b>Item 8</b>	<p><i>Prescribed capital amount</i> is a derived item and is calculated as the sum of:</p> <ul style="list-style-type: none"> <li>• Item 1;</li> <li>• Item 2;</li> <li>• Item 3;</li> <li>• Item 4;</li> <li>• Item 5; and</li> <li>• item 7</li> </ul> <p>less:</p> <ul style="list-style-type: none"> <li>• item 6.</li> </ul>
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