



Reporting Standard GRS 110.0.G

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 Level 2 insurance group's prescribed capital amount.

It includes associated specific instructions and 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* (GPS 110).

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 a parent entity of a Level 2 insurance group as defined in *Prudential Standard GPS 001 Definitions* (GPS 001). This Reporting Standard applies for reporting periods commencing on or after 1 July 2023. The parent entity of a Level 2 group is required to ensure that each requirement in this Reporting Standard is complied with.

Information required

4. The parent entity of a Level 2 insurance group must provide APRA with the information required by this Reporting Standard in respect of the Level 2 insurance group 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, the parent entity of a Level 2 insurance group must provide the information required by this Reporting Standard:
- (a) in respect of the first half year based on the financial year of the Level 2 insurance group on an unaudited basis; and
 - (b) in respect of each financial year of the Level 2 insurance group on an audited basis.

Note: The annual information required by paragraphs 4, 5 and 6(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 310 Audit and Related Matters* (GPS 310) contains the relevant provisions governing audits.

7. If, having regard to the particular circumstances of a Level 2 insurance group, 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 to the parent entity, change the reporting periods, or specify reporting periods, for the particular Level 2 insurance group.
8. The information required by this Reporting Standard in respect of a Level 2 insurance group must be provided to APRA:
- (a) in the case of half yearly information, within three months 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: GPS 310 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 310 (relating to the information required by paragraph 4) 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 the parent entity of a Level 2 insurance group 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, the parent entity of a Level 2 insurance group is nonetheless required to submit the information required no later than the due date.

10. 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 6(a) to provide half yearly information.

Quality control

11. The information provided by the parent entity of a Level 2 insurance group under this Reporting Standard must be the product of systems, 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 Level 2 insurance group's systems, processes and controls designed to enable the group 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 Group 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* (GPS 310).
12. All information provided by the parent entity of a Level 2 insurance group under this Reporting Standard must be subject to systems, 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

13. When an officer, or agent, of a parent entity of a Level 2 insurance group 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.
14. If the information required by this Reporting Standard is provided by an agent who submits the information on the parent entity of a Level 2 insurance group's behalf, the parent entity of a Level 2 insurance group must:
 - (a) obtain from the agent a copy of the completed information provided to APRA; and
 - (b) retain the completed copy.
15. An officer, or agent, of a parent entity of a Level 2 insurance group who submits the information under this Reporting Standard for, or on behalf of, the parent entity of a Level 2 insurance group must be authorised 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.

Variations

16. APRA may, by written notice to the parent entity of a Level 2 insurance group, vary the reporting requirements of this Reporting Standard in relation to that Level 2 insurance group.

Transition

17. A parent entity of a Level 2 insurance group 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; and

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

- (a) which commenced before 1 July 2023; and
- (b) in relation to which the parent entity of a Level 2 insurance group 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 a parent entity of a Level 2 insurance group 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 parent entity of a Level 2 insurance group is still required to provide any overdue reporting documents in accordance with the old reporting standard.

Interpretation

18. In this Reporting Standard:

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

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;

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 parent entity of a Level 2 insurance group, by whatever name called;

financial year means the financial year (within the meaning in the *Corporations Act 2001*) of the parent entity of a Level 2 insurance group;

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;

Group Auditor has the meaning given in GPS 310;

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 current principal executive officer of the entity, by whatever name called, and whether or not he or she is a member of the governing board of the entity; and

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

19. 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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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.

Definitions

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

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| <i>Adjustments to prescribed capital amount as approved by APRA</i> | <p>These are adjustments made to a Level 2 insurance group's <i>prescribed capital amount</i> if APRA is of the view that the Standard Method for calculating the <i>prescribed capital amount</i> does not produce an appropriate outcome in respect of a reporting Level 2 insurance group, or a reporting Level 2 insurance group has used inappropriate judgement or estimation in calculating the <i>prescribed capital amount</i>.</p> <p>Approved adjustments are to be reported separately in the <i>Reporting Standard GRS 111.0.G Adjustments and Exclusions</i> highlighting the description of the adjustment given, transitional status and amount of adjustment applied. An increase in the risk charge is to be reported as a positive amount.</p> |
| <i>Aggregation benefit</i> | <p>The <i>aggregation benefit</i> makes an explicit allowance for diversification between asset risk and the sum of insurance risk and insurance concentration risk in the calculation of the <i>prescribed capital amount</i>.</p> <p>This must be determined in accordance with GPS 110.</p> |
| <i>Asset Concentration Risk Charge</i> | <p>The <i>Asset Concentration Risk Charge</i> is the minimum amount of capital required to be held against asset concentration risks. The <i>Asset Concentration Risk Charge</i> 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 Level 2 insurance group's capital base.</p> <p>This must be determined in accordance with <i>Prudential Standard GPS 117 Capital Adequacy: Asset Concentration Risk Charge</i>.</p> |

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| <i>Asset Risk Charge</i> | <p>The <i>Asset Risk Charge</i> is the minimum amount of capital required to be held against asset risks. The <i>Asset Risk Charge</i> relates to the risk of adverse movements in the value of a reporting Level 2 insurance group's capital base due to credit or market risks.</p> <p>This must be determined in accordance with <i>Prudential Standard GPS 114 Capital Adequacy: Asset Risk Charge</i> (GPS 114).</p> |
| <i>Asset Risk Charge - aggregated risk charge component</i> | <p>A Level 2 insurance group must calculate the <i>risk charge components</i>, as defined in GPS 114, by considering the impact on the capital base of the Level 2 insurance group of a range of stresses. These <i>risk charge components</i> are then aggregated using the formula set out in GPS 114. The result of applying the formula is defined as the <i>Asset Risk Charge - aggregated risk charge component</i>.</p> |
| <i>Asset Risk Charge - impact of diversification</i> | <p>The <i>Asset Risk Charge - impact of diversification</i> relates to the recognition of diversification benefits between the <i>asset risk charge components</i> as set out in GPS 114.</p> <p>This item must be calculated as the sum of the <i>risk charge components</i> less the <i>Asset Risk Charge - aggregated risk charge component</i>.</p> |
| <i>Asset Risk Charge - tax benefit deduction</i> | <p>This represents the tax benefits deducted from the <i>Asset Risk Charge - aggregated risk charge component</i> as determined in accordance with GPS 114. It comprises the tax benefits resulting from the <i>Asset Risk Charge</i> stresses, reduced to allow for the reduction in <i>Asset Risk Charge</i> due to the aggregation formula.</p> |

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| <i>Insurance Concentration Risk Charge</i> | <p>The <i>Insurance Concentration Risk Charge</i> is the minimum amount of capital required to be held against insurance concentration risks. The <i>Insurance Concentration Risk Charge</i> relates to the risk of an adverse movement in the reporting Level 2 insurance group '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>.</p> |
| <i>Insurance Risk Charge</i> | <p>The <i>Insurance Risk Charge</i> 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 <i>Insurance Risk Charge</i> 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"> • <i>Total OCL Insurance Risk Charge</i>; and • <i>Total PL Insurance Risk Charge</i>. |

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| <i>Operational Risk Charge</i> | <p>The <i>Operational Risk Charge</i> is the minimum amount of capital required to be held against operational risks. The <i>Operational Risk Charge</i> 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> |
| <i>Operational Risk Charge for inwards reinsurance business (ORCI)</i> | <p>This is the <i>Operational Risk Charge</i> relating to the reporting Level 2 insurance group's inwards reinsurance business. This must be calculated using the ORCI formula in accordance with GPS 118.</p> |
| <i>Operational Risk Charge for business that is not inwards reinsurance (ORCNI)</i> | <p>This is the <i>Operational Risk Charge</i> relating to business written directly by the reporting Level 2 insurance group. This must be calculated using the ORCNI formula in accordance with GPS 118.</p> |

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| <i>Prescribed capital amount</i> | <p>The <i>prescribed capital amount</i> must be determined in accordance with GPS 110.</p> <p>It is calculated as the sum of:</p> <ul style="list-style-type: none"> • <i>Insurance Risk Charge;</i> • <i>Insurance Concentration Risk Charge;</i> • <i>Asset Risk Charge;</i> • <i>Asset Concentration Risk Charge;</i> • <i>Operational Risk Charge;</i> • <i>adjustments to prescribed capital amount as approved by APRA;</i> <p>and</p> <p>less:</p> <ul style="list-style-type: none"> • <i>aggregation benefit.</i> <p><u>For a Level 2 insurance group, the <i>prescribed capital amount</i> is subject to a minimum of \$5 million.</u></p> |
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| <i>Risk charge components</i> | <p>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 Level 2 insurance group in seven stress tests.</p> |
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| <i>Total OCL Insurance Risk Charge</i> | 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. This must be determined in accordance with GPS 115. |
| <i>Total PL Insurance Risk Charge</i> | <p>This is the <i>Insurance Risk Charge</i> 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> |

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.

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| Column 1 | Report the value for each of the items listed below. |
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1. Insurance Risk Charge

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

2. Insurance Concentration Risk Charge

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

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

4. Asset Concentration Risk Charge

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| Item 4 | Report the <i>Asset Concentration Risk Charge</i> . |
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5. Operational Risk Charge

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| Item 5 | Report the <i>Operational Risk Charge</i> . |
| Item 5.1 | Report the <i>Operational Risk Charge for inwards reinsurance business (ORCI)</i> . |

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| Item 5.2 | Report the <i>Operational Risk Charge for business that is not inwards reinsurance (ORCNI)</i> . |
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6. Aggregation benefit

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| Item 6 | Report the <i>aggregation benefit</i> . 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. |
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7. Adjustments to prescribed capital amount as approved by APRA

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| Item 7 | Report the <i>adjustments to prescribed capital amount as approved by APRA</i> . Report increases in the <i>prescribed capital amount</i> as positive values. |
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8. Prescribed capital amount

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| Item 8 | <p><i>Prescribed capital amount</i> is a derived item and is calculated as the sum of:</p> <ul style="list-style-type: none"> • item 1; • item 2; • item 3; • item 4; • item 5; and • item 7 <p>less:</p> <ul style="list-style-type: none"> • <u>item 6</u> <p><u>This is subject to a minimum of \$5 million for a Level 2 insurance group.</u></p> |
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