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11 November 2014

To: General insurers

Proposed minor changes to three reporting standards

The purpose of this letter is to propose minor changes to three reporting standards, to address issues raised with APRA by industry.

Proposed changes to *GRF 440.0 Claims Development Table* (GRF 440.0)

Insurers that write reinsurance business are currently required to report, among other items, the '*Number of claims reported*' and '*Number of claims outstanding*' in the table at section 2 of GRF 440.0 (collectively referred to as 'claim count data columns for reinsurance business').

Industry feedback, and APRA's review of this data, has identified inconsistent practice in the way insurers are reporting information provided in the claim count data columns for reinsurance business. It is difficult to categorically define, and in some cases identify, what constitutes a 'claim' for some types of reinsurance business. Inconsistent reporting of this information limits its usefulness for APRA's supervision. In addition, claim counts are not meaningful for many reinsurance arrangements.

To address this issue, APRA proposes to revoke reporting standard *GRS 440.0 Claims Development Table* (**GRS 440.0**), and replace it with a revised version of GRS 440.0 which does not include the claim count data columns for reinsurance business. Minor typographical changes are also included in the revised reporting standard.

Until this issue is resolved, insurers reporting the table at section 2 of GRF 440.0 may populate the claim count data columns with zeroes for reinsurance business. Please include the following comment in the form "*Entered zeroes in the reinsurance claim count columns in line with APRA's instructions in the letter titled 'Proposed minor changes to three reporting standards', dated 11 November 2014*".

Insurers that write reinsurance business must complete all columns, other than the claim count data columns, in the table at section 2 of GRF 440.0 in accordance with GRS 440.0. Insurers that write direct business must continue to complete all columns in the table at section 1 of GRF 440.0 in accordance with GRS 440.0.

Proposed changes to other reporting standards

Separate to the GRS 440.0 reporting changes, APRA also proposes to revise the following reporting standards so that their intended application to a subset of general insurers is clear:

- *Reporting Standard GRS 112.0 Determination of Capital Base* (to clearly indicate that this reporting standard does not apply to Category C insurers, as defined in *Prudential Standard GPS 001 Definitions*); and
- *Reporting Standard GRS 116.1 Probable Maximum Loss for LMIs* (to clearly indicate that this reporting standard applies only to lenders mortgage insurers, as defined in *Prudential Standard GPS 001 Definitions*).

The proposed revised reporting standards are included in the attachments to this letter.

Consultation and timeline

APRA welcomes feedback in relation to the proposed reporting changes as well as estimates of the cost savings of these changes. Submissions should be sent to Insurance.Policy@apra.gov.au by Tuesday, 9 December 2014. APRA expects to finalise and issue the revised reporting standards in late 2014. These changes would apply for reporting periods ending on and after 31 December 2014.

Yours sincerely

Charles Littrell
Executive General Manager
Policy, Statistics and International

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.

Reporting Standard GRS 440.0

Claims Development Table

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 claims development.

It includes *Form GRF 440.0 Claims Development Table* and associated specific instructions and must be read in conjunction with the general instruction guide.

Authority

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

Purpose

2. Information collected in *Form GRF 440.0 Claims Development Table* (GRF 440.0) 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 31 December 2014~~1 January 2013~~.

Information required

4. An insurer must provide APRA with the information required by Form GRF 440.0 for each reporting period.

Forms and method of submission

5. The information required by this Reporting Standard must be given to APRA in electronic format using the 'Direct to APRA' application or, where 'Direct to APRA' is not available, by a method notified by APRA prior to submission.

Note: The 'Direct to APRA' application software may be obtained from APRA.

Reporting periods and due dates

6. Subject to paragraph 7, an insurer must provide the information required by this Reporting Standard in respect of each financial year of the insurer.

Note: The annual information required from an insurer by paragraphs 4, 5 and 6, 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 1973* (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 paragraph 6, 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) within the time stated in *Reporting Standard GRS 001 Reporting Requirements* (GRS 001); or

   (b) 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 paragraph 6 must be provided to APRA by the time specified in GRS 001 (unless an extension of time is granted under GRS 001).

Quality control

9. 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 (AUASB) 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*.

10. 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

11. When an officer, or agent, of an insurer provides the information required by this Reporting Standard using the 'Direct to APRA' software it will be necessary for an officer, or agent, to digitally sign the relevant information using a digital certificate acceptable to APRA.

12. If an insurer provides the information required by this Reporting Standard through an agent who submits using the 'Direct to APRA' software on the insurer's behalf, the insurer must:

(a) obtain from the agent a copy of the completed form with the information provided to APRA; and

(b) retain the completed copy.

13. 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

14. APRA may, by written notice to the insurer, vary the reporting requirements of Form GRF 440.0 in relation to that insurer.

Interpretation

15. 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* (GPS 001); and

(b) ***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 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;

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 paragraph 6 or, if applicable, paragraph 7.

GRF_440_0_L: Claims Development Table (L)

Australian Business Number	Entity identifier, to be provided
Institution Name	Name of general insurer
Reporting Period	As at financial year end
Scale Factor	Thousands of dollars no decimal place
Reporting Consolidation	- Licensed Insurer

Section 1: Direct Business

Class of business (1)	Accident year (2)	Gross earned premium (3)	Net earned premium (4)	Number of claims reported (5)	Number of claims outstanding (6)	Gross claim payments (net of non-reinsurance recoveries) (7)	Net claim payments (net of reinsurance and non-reinsurance recoveries) (8)	Gross case estimates (net of non-reinsurance recoveries) (9)	Net case estimates (net of reinsurance and non-reinsurance recoveries) (10)	Gross IBNR/IBNER (net of non-reinsurance recoveries) (11)	Net IBNR/IBNER (net of reinsurance and non-reinsurance recoveries) (12)	Total gross ultimate cost (IUD) (13)	Total net ultimate cost (IUD) (14)
Householders	Current Accident Year												
Commercial motor	Accident Year - 1 Year Previous												
Domestic motor	Accident Year - 2 Years Previous												
Other direct - category A	Accident Year - 3 Years Previous												
Travel	Accident Year - 4 Years Previous												
Fire and ISR	Accident Year - 5 Years Previous												
Marine	Accident Year - 6 Years Previous												
Aviation	Accident Year - 7 Years Previous												
Public and product liability	Accident Year - 8 Years Previous												
Mortgage	Accident Year - 9 Years Previous												
Consumer credit	Accident Year - 10 Years Previous												
Other accident	Accident Year - More than 10 Years Previous												
Other direct - category B													
CTP													
Professional indemnity													
Employers liability													
Other direct - category C													

Section 2: Reinsurance Business

Class of business (1)	Underwriting year (2)	Gross written premium (3)	Net written premium (4)	Number of claims reported (5)	Number of claims outstanding (6)	Gross claim payments (net of non-reinsurance recoveries) (7)	Net claim payments (net of reinsurance and non-reinsurance recoveries) (8)	Gross case estimates (net of non-reinsurance recoveries) (9)	Net case estimates (net of reinsurance and non-reinsurance recoveries) (10)	Gross IBNR/IBNER (net of non-reinsurance recoveries) (11)	Net IBNR/IBNER (net of reinsurance and non-reinsurance recoveries) (12)	Total gross ultimate cost (IUD) (13)	Total net ultimate cost (IUD) (14)
Proportional - Category A	Current Underwriting Year												
Proportional - Category B	Underwriting Year - 1 Year Previous												
Proportional - Category C	Underwriting Year - 2 Years Previous												
Non-proportional - Category A	Underwriting Year - 3 Years Previous												
Non-proportional - Category B	Underwriting Year - 4 Years Previous												
Non-proportional - Category C	Underwriting Year - 5 Years Previous												
	Underwriting Year - 6 Years Previous												
	Underwriting Year - 7 Years Previous												
	Underwriting Year - 8 Years Previous												
	Underwriting Year - 9 Years Previous												
	Underwriting Year - 10 Years Previous												
	Underwriting Year - More than 10 Years Previous												

Section 3: Total

	Total gross ultimate cost (IUD) (2)	Total net ultimate cost (IUD) (3)	Gross claim payments (4)	Net claim payments (5)	Gross outstanding claims (IUD) (6)	Net outstanding claims (IUD) (7)	Discount on net outstanding claims (8)	Claims handling expenses on net outstanding claims (9)	APRA risk margin on net outstanding claims (10)	APRA netOCL(11)
Total Direct Business										
Total Reinsurance Business										
Proportional										
Non-proportional										
TOTAL										

Section 2: Reinsurance business

Class of business (1)	Underwriting year (2)	Gross written premium (3)	Net written premium (4)	Gross claim payments (net of non-reinsurance recoveries) (5)	Net claim payments (net of reinsurance and non-reinsurance recoveries) (6)	Gross case estimates (net of non-reinsurance recoveries) (7)	Net case estimates (net of reinsurance and non-reinsurance recoveries) (8)	Gross IBNR/IBNER (net of non-reinsurance recoveries) (9)	Net IBNR/IBNER (net of reinsurance and non-reinsurance recoveries) (10)	Total gross ultimate cost (IUD) (11)	Total net ultimate cost (IUD) (12)
Proportional - Category A	Current Underwriting Year										
Proportional - Category B	Underwriting Year - 1 Year Previous										
Proportional - Category C	Underwriting Year - 2 Years Previous										
Non-proportional - Category A	Underwriting Year - 3 Years Previous										
Non-proportional - Category B	Underwriting Year - 4 Years Previous										
Non-proportional - Category C	Underwriting Year - 5 Years Previous										
	Underwriting Year - 6 Years Previous										
	Underwriting Year - 7 Years Previous										
	Underwriting Year - 8 Years Previous										
	Underwriting Year - 9 Years Previous										
	Underwriting Year - 10 Years Previous										
	Underwriting Year - More than 10 Years Previous										

Section 3: Total

	Total gross ultimate cost (IUD) (2)	Total net ultimate cost (IUD) (3)	Gross claim payments (4)	Net claim payments (5)	Gross outstanding claims (IUD) (6)	Net outstanding claims (IUD) (7)	Discount on net outstanding claims (8)	Claims handling expenses on net outstanding claims (9)	APRA risk margin on net outstanding claims (10)	APRA net OCL (11)
Total Direct Business.................										
Total Reinsurance Business.......										
Proportional.........................										
Non-proportional..................										
TOTAL.......................................										

GRF_440_0 Claims Development Table

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

Explanatory notes

(1) Class of business

The classes of business for direct business and reinsurance business are as defined in Attachment B of *Prudential Standard GPS 001 Definitions* (GPS 001).

For the purpose of calculating the Insurance Risk Charge in respect of the 'Other' class of business as per GPS 001 for direct business, the Appointed Actuary is required to determine the most appropriate category (i.e. category A, B or C) in Table 1 of Attachment A of *Prudential Standard GPS 115 Capital Adequacy: Insurance Risk Charge* (GPS 115) that this business falls within. The choice must be based on the underlying risk characteristics of the business being written. The amounts reported in the *Other direct - category A*, *Other direct - category B* or *Other direct - category C* line items are to follow this basis.

For reinsurance business, the classes of business in Table 2 of Attachment A of GPS 115 are to be aggregated by the Category and Reinsurance Type for reporting on this form.

Reporting basis

The following fields are to be completed on a cumulative basis: gross and net earned premium for accident year; gross and net written premium for underwriting year; number of claims reported; and gross and net claim payments.

The following fields are not to be completed on a cumulative basis: number of claims outstanding; gross and net case estimates; and gross and net incurred but not reported (IBNR) / incurred but not enough reported (IBNER).

Instructions for specific items

Section 1: Direct business

(2) Accident year

Direct insurance business (except lenders mortgage insurance) must be completed based on accident year. An accident year refers to the financial year of the insurer that the losses/claims are incurred. For example, the 2007 accident year for an insurer with a balance date of 30 June will relate to claims with dates of loss (regardless of notification date) occurring between 1 July 2006 and 30 June 2007.

The form is to be completed for each of the following years:

- Current Accident Year;
- Accident Year - 1 Year Previous;
- Accident Year - 2 Years Previous;
- Accident Year - 3 Years Previous;
- Accident Year - 4 Years Previous;
- Accident Year - 5 Years Previous;
- Accident Year - 6 Years Previous;
- Accident Year - 7 Years Previous;
- Accident Year - 8 Years Previous;
- Accident Year - 9 Years Previous;
- Accident Year - 10 Years Previous; and
- Accident Year - More than 10 Years Previous.

Lenders mortgage insurance will be reported in this section but will be completed on an underwriting year basis.

(3) Gross earned premium

This is the value of premium revenue earned during the relevant period, including fire service levy and other levies imposed by state and territory governments and excluding amounts collected on behalf of third parties i.e. government stamp duty and taxes. The premium should be reported gross of any associated outwards reinsurance expense.

(4) Net earned premium

This is the value of premium revenue earned during the relevant period, including fire service levy and other levies imposed by state and territory governments and excluding amounts collected on behalf of third parties i.e. government stamp duty and taxes. The premium should be reported net of any associated outwards reinsurance expense.

(5) Number of claims reported

This is the accumulated number of insurance claims reported, as at the relevant date.

(6) Number of claims outstanding

This is the number of outstanding claims, including the actuarial gross central estimate of the number of insurance claims outstanding, as at the relevant date.

(7) Gross claim payments (net of non-reinsurance recoveries)

This is the value of insurance claims payments, as at the relevant date. This item is to be reported gross of any associated reinsurance recoveries, but net of any associated non-reinsurance recoveries.

(8) Net claim payments (net of reinsurance and non-reinsurance recoveries)

This is the value of insurance claims payments, as at the relevant date. This item is to be reported net of any associated reinsurance and non-reinsurance recoveries. This includes reinsurance and non-reinsurance recoveries that have been received or are expected to be received only in relation to claims already paid.

(9) Gross case estimates (net of non-reinsurance recoveries)

This is the value of gross case estimates included in the outstanding claims liabilities (OCL) as at the relevant date.

For the purposes of this item, case estimates must be reported: as the balance outstanding at the relevant date; gross of reinsurance recoveries; net of non-reinsurance recoveries; and excluding claims IBNR/IBNER, claims handling expenses and risk margins.

(10) Net case estimates (net of reinsurance and non-reinsurance recoveries)

This is the value of net case estimates included in the OCL as at the relevant date.

For the purposes of this item, case estimates must be reported: as the balance outstanding at the relevant date; net of reinsurance and non-reinsurance recoveries; and excluding IBNR/IBNER, claims handling expenses and risk margins.

(11) Gross IBNR/IBNER (net of non-reinsurance recoveries)

This is the value of gross IBNR/IBNER included in the OCL as at the relevant date.

For the purposes of this item, the IBNR/IBNER must be reported: as the balance outstanding at the relevant date; inflated and undiscounted; gross of reinsurance recoveries; net of non-reinsurance recoveries; excluding claims handling expenses; and as the central estimate only (i.e. do not include a risk margin).

(12) Net IBNR/IBNER (net of reinsurance and non-reinsurance recoveries)

This is the value of net IBNR/IBNER included in the OCL as at the relevant date.

For the purposes of this item, the IBNR/IBNER must be reported: as the balance outstanding at the relevant date; inflated and undiscounted; net of reinsurance recoveries; net of non-reinsurance recoveries; excluding claims handling expenses; and as the central estimate only (i.e. do not include a risk margin).

(13) Total gross ultimate cost (IUD)

This is the value of the total gross ultimate cost (inflated & undiscounted) of claims, as at the relevant date.

It is automatically calculated as the sum of Columns 6, 8 and 10.

(14) Total net ultimate cost (IUD)

This is the value of the total net ultimate cost (inflated & undiscounted) of claims, as at the relevant date.

It is automatically calculated as the sum of Columns 7, 9 and 11.

Section 2: Reinsurance business

(2) Underwriting year

Reinsurance business must be completed on an underwriting year basis. Underwriting year refers to the financial year of the insurer in which the policy incepts, regardless of when the premiums and claims are actually reported, booked or paid. For example, the 2005 underwriting year for an insurer with a 30 June balance date includes premiums and claims (both paid and outstanding) attaching to policies incepting in the period 1 July 2005 to 30 June 2006. For an insurer with a 31 December balance date, the 2005 underwriting year includes premiums and claims (both paid and outstanding) attaching to policies incepting in the period 1 January 2005 to 31 December 2005.

The form is to be completed for each of the following years:

- Current Underwriting Year;
- Underwriting Year, 1 Year Previous;
- Underwriting Year, 2 Years Previous;
- Underwriting Year, 3 Years Previous;
- Underwriting Year, 4 Years Previous;
- Underwriting Year, 5 Years Previous;
- Underwriting Year, 6 Years Previous;
- Underwriting Year, 7 Years Previous;
- Underwriting Year, 8 Years Previous;

- Underwriting Year, 9 Years Previous;
- Underwriting Year, 10 Years Previous; and
- Underwriting Year, More than 10 Years Previous.

(3) Gross written premium

This is the value of gross written insurance premium revenue recognised during the relevant period, as determined in accordance with Australian Accounting Standards. This item includes fire service levy and other levies imposed by state and territory governments and excludes amounts collected on behalf of third parties i.e. government stamp duty and taxes. The premium should be reported gross of any associated outwards reinsurance expense.

(4) Net written premium

This is the value of net written insurance premium revenue recognised during the relevant period, as determined in accordance with Australian Accounting Standards. This item includes fire service levy and other levies imposed by state and territory governments and excludes amounts collected on behalf of third parties i.e. government stamp duty and taxes. The premium should be reported net of any associated outwards reinsurance expense.

Columns (5) to (~~14~~12)

For ~~this~~ these columns, the instructions are as per Columns (~~5~~7) to (14) for direct business in Section 1 respectively.

Section 3: Total

For this section, lenders mortgage insurance business will be included in the totals for direct business.

(2) Total gross ultimate cost (IUD)

This is automatically calculated as the sum over the direct and reinsurance classes of business, where appropriate, of Column 12 in Sections 1 and 2.

(3) Total net ultimate cost (IUD)

This is automatically calculated as the sum over the direct and reinsurance classes of business, where appropriate, of Column 13 in Sections 1 and 2.

(4) Gross claim payments

This is automatically calculated as the sum over the direct and reinsurance classes of business, where appropriate, of Column 6 in Sections 1 and 2.

(5) Net claim payments

This is automatically calculated as the sum over the direct and reinsurance classes of business, where appropriate, of Column 7 in Sections 1 and 2.

(6) Gross outstanding claims (IUD)

This is automatically calculated as Column 2 less Column 4 in Section 3.

(7) Net outstanding claims (IUD)

This is automatically calculated as Column 3 less Column 5 in Section 3.

(8) Discount on net outstanding claims

This is the value of discounting on net outstanding claims. This includes the impact of discounting the net actuarial central estimate of outstanding claims (excluding claims handling expenses).

This is only required as an aggregate total for direct business and reinsurance business.

(9) Claims handling expenses on net outstanding claims

This is the value of claims handling expenses on net outstanding claims. This includes the claims handling expense allowance in the net actuarial central estimate of outstanding claims.

This is only required as an aggregate total for direct business and reinsurance business.

(10) APRA risk margin on net outstanding claims

This is the value, as at the relevant date, of the risk margin component of OCL, net of any recoveries, determined in accordance with relevant prudential standards. This includes the APRA risk margin (75 per cent probability of sufficiency including diversification benefits) included in the net OCL.

This is only required as an aggregate total for direct business and reinsurance business.

(11) APRA net OCL

This is automatically calculated as Column 7 less Column 8 plus Column 9 plus Column 10.

DRAFT ~~January 2013~~December 2014

Reporting Standard GRS 112.0

Determination of Capital Base

Objective of this Reporting Standard

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

It includes *Form GRF 112.0 Determination of Capital Base* and associated specific instructions and must be read in conjunction with the general instruction guide and *Prudential Standard GPS 112 Capital Adequacy: Measurement of Capital*.

Authority

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

Purpose

2. Information collected in *Form GRF 112.0 Determination of Capital Base* (GRF 112.0) 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) with the exception of any insurer who is a Category C insurer under paragraph 5 of *Prudential Standard GPS 001 Definitions*. This Reporting Standard applies for reporting periods ending on or after 31 December 2014~~1 January 2013~~.

Information required

4. An insurer must provide APRA with the information required by Form GRF 112.0 for each reporting period.

Forms and method of submission

5. The information required by this Reporting Standard must be given to APRA in electronic format using the 'Direct to APRA' application or, where 'Direct to APRA' is not available, by a method notified by APRA prior to submission.

Note: The 'Direct to APRA' application software may be obtained from APRA.

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 1973* (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) within the time stated in *Reporting Standard GRS 001 Reporting Requirements* (GRS 001); or

(b) 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).

Quality control

9. 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 (AUASB) 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*.

10. 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

11. When an officer, or agent, of an insurer provides the information required by this Reporting Standard using the 'Direct to APRA' software it will be necessary for an officer, or agent, to digitally sign the relevant information using a digital certificate acceptable to APRA.

12. If an insurer provides the information required by this Reporting Standard through an agent who submits using the 'Direct to APRA' software on the insurer's behalf, the insurer must:

(a) obtain from the agent a copy of the completed form with the information provided to APRA; and

(b) retain the completed copy.

13. 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

14. APRA may, by written notice to the insurer, vary the reporting requirements of Form GRF 112.0 in relation to that insurer.

Transition

15. 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 the date of revocation of the old reporting standard; 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

16. 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* (GPS 001); and

(b) ***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 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;

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.

GRF_112_0: Determination of Capital Base

Australian Business Number	Entity identifier, to be provided
Institution Name	Name of general insurer
Reporting Period	As at each quarter end and as at financial year end
Scale Factor	Thousands of dollars no decimal place
Reporting Consolidation	Licensed insurer

Section 1: Capital base composition

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1.1.2. Retained earnings	
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Of which:	
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1.2.2. Less: Holdings of own Additional Tier 1 Capital instruments	
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1.3. Tier 1 Capital	
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2.1. Eligible Tier 2 Capital instruments	
2.2. Less: Holdings of own Tier 2 Capital instruments	
2.3. Adjustments and exclusions to Tier 2 Capital	
2.4. Transitional Tier 2 Capital	
3. Capital base	

GRF_112_0 Determination of Capital Base

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

Instructions for specific items

Section 1: Capital base composition

1. Tier 1 Capital

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

1.1. Common Equity Tier 1 Capital

This is the highest quality component of capital held by the reporting insurer 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.

It is automatically calculated as the sum of Items 1.1.1, 1.1.2, 1.1.3, 1.1.4, 1.1.5 and 1.1.7 less Item 1.1.6.

1.1.1. Paid-up ordinary shares

This represents paid-up ordinary shares issued by the reporting insurer that meet the criteria for classification as ordinary shares for regulatory purposes in accordance with Attachment A of GPS 112.

1.1.2. Retained earnings

This is the value, as at the end of the reporting period, of retained earnings. This amount should be consistent with the retained earnings reported in *GRF 300.0 Statement of Financial Position* (GRF 300.0), apart from not including the amount of undistributed current year earnings reported in Item 1.1.3.

1.1.3. Undistributed current year earnings

The undistributed current year earnings reported should be consistent with the amount reported in *GRF 310.0 Income Statement* (GRF 310.0).

Reported amounts must account for (where applicable) negative goodwill, expected tax expenses, and dividends when declared in accordance with the Australian Accounting Standards. The declared dividends reported may be reduced by the expected proceeds, as agreed in writing by APRA, of a Dividend Reinvestment Plan to the extent that dividends are used to purchase new ordinary shares issued by the reporting insurer.

1.1.4. Accumulated other comprehensive income and other disclosed reserves

This is the aggregate of all other comprehensive income and disclosed reserves.

1.1.4.1. Unrealised gains or losses recognised on balance sheet

This is the total value of unrealised gains or losses that have been recognised on the balance sheet.

1.1.4.2. Reserves from equity-settled share-based payments

This is the value of reserves from equity-settled share-based payments granted to employees as part of their remuneration package that meets the requirements of GPS 112. Only the reserves relating to the issue of new shares should be reported.

1.1.4.3. Cumulative unrealised gains or losses on hedges offsetting gains or losses in Common Equity Tier 1 Capital

This is the cumulative unrealised gains or losses on hedges offsetting the gains or losses of components of Common Equity Tier 1 Capital.

This includes cumulative unrealised gains or losses on effective cash flow hedges as defined in the Australian Accounting Standards and any fair value gains or losses on derivatives representing effective economic hedges of assets.

1.1.4.4. Foreign currency translation reserve

This is the value of the reserve relating to exchange rate differences arising on translation of assets and liabilities to the presentation currency in accordance with Australian Accounting Standards.

1.1.4.5. General reserve

General reserves are created from the appropriation of profits by the reporting insurer after the payment of all dividends and tax.

1.1.4.6. Other gains and losses in accumulated comprehensive income and other disclosed reserves

This is the value of any other gains and losses in accumulated comprehensive income and other disclosed reserves that may be specified in writing by APRA as per GPS 112.

1.1.5. Net surplus / (deficit) relating to insurance liabilities

This is the total technical provisions in surplus or deficit of those required by *Prudential Standard GPS 320 Actuarial and Related Matters* (GPS 320). Technical provisions refer to both net outstanding claims liabilities and net unearned premium calculated under Australian Accounting Standards.

It is automatically calculated as Item 1.1.5.1 plus Item 1.1.5.2 less Item 1.1.5.3.

1.1.5.1. OCL surplus / (deficit) per GRF 115.0

This is the net outstanding claims liabilities determined under *Australian Accounting Standard AASB 1023 General Insurance Contracts* (AASB 1023) in surplus or deficit to the net outstanding claims liabilities determined under GPS 320.

1.1.5.2. PL surplus / (deficit) per GRF 115.1

This is the net premiums liabilities determined under AASB 1023 in surplus or deficit to the net premiums liabilities determined under GPS 320.

1.1.5.3. Less: Tax effect of net OCL and PL surplus / (deficit)

This is the tax effect of the technical provisions in surplus or deficit of those required under GPS 320.

Do not deduct the tax effect if a deferred tax asset has been recognised in relation to the net surplus / (deficit).

1.1.6. Less: Regulatory adjustments to Common Equity Tier 1 Capital

This is the total of all regulatory adjustments applied to Common Equity Tier 1 Capital specified in Attachment B of GPS 112.

It is automatically calculated as the sum of Items 1.1.6.1 to 1.1.6.15.

1.1.6.1. Holdings of own Common Equity Tier 1 Capital instruments

This is the value, as at the relevant date, of the reporting insurer's holdings of its own Common Equity Tier 1 Capital instruments unless exempted by APRA or eliminated under Australian Accounting Standards.

This item must also include:

- capital instruments the reporting insurer could be contractually obliged to purchase; and
- unused portion of the limits agreed with APRA as per paragraph 15 of GPS 112.

1.1.6.2. Cash flow hedge reserves relating to hedging of items not recorded at fair value

This is the value of cash flow hedge reserves that relate to the hedging items that are not recorded at fair value on the balance sheet (including projected cash flows).

1.1.6.3. Excess of deferred tax assets over deferred tax liabilities

This is the amount of deferred tax assets in excess of deferred tax liabilities of the reporting insurer.

Where the deferred tax liabilities exceed the deferred tax assets, this value should be reported as zero. Note that the netting of deferred tax assets and deferred tax liabilities must only be applied where the reporting insurer has a legally enforceable right to set-off deferred tax assets against deferred tax liabilities.

1.1.6.4. Fair value gains and losses from changes in own credit worthiness

This is the net unrealised gains (or losses) from changes in the fair values of the liabilities that arise due to changes in creditworthiness of the reporting insurer.

This amount is to be reported as a positive value where there are unrealised gains or a negative value for unrealised losses.

1.1.6.5. Goodwill

This is the value of goodwill, as per Attachment B of GPS 112, net of adjustments to profit or loss reflecting changes arising from any impairment. The amounts reported in this item must be net of any associated deferred tax liability that would be extinguished if the assets involved become impaired or derecognised under Australian Accounting Standards.

This item also includes the goodwill attributable to certain categories of subsidiaries, associates and joint ventures of the reporting insurer as per GPS 112.

1.1.6.6. Other intangible assets

This is the value of intangible assets, other than goodwill, as per Attachment B of GPS 112, net of adjustments to profit or loss reflecting changes arising from any impairment and amortisation. The amounts reported must be net of any associated deferred tax liability that would be extinguished if the assets involved become impaired or derecognised under Australian Accounting Standards.

This item also includes the intangible assets attributable to certain categories of subsidiaries, associates and joint ventures of the reporting insurer as per GPS 112.

1.1.6.7. Surplus in defined benefit superannuation fund

This is the amount of surplus (if any) in defined benefit superannuation funds where the reporting insurer is an employer-sponsor, net of any associated deferred tax liabilities that would be extinguished if the assets involved become impaired or derecognised under Australian Accounting Standards. Any excluded surplus must reverse any associated deferred tax liability from Common Equity Tier 1 Capital.

Where the extinguished deferred tax liability of the defined benefit superannuation fund exceeds the reported surplus, this value should be reported as zero.

1.1.6.8. Deficit in defined benefit superannuation fund

This is the amount of deficit (if any) in a defined benefit superannuation fund where the reporting insurer is an employer-sponsor.

This item only needs to be reported where the deficit is not already reflected in Common Equity Tier 1 Capital.

The deficit (if any) should be reported as a positive number.

1.1.6.9. Reinsurance assets related to reinsurance contracts that do not meet the reinsurance documentation test

This is the value of the reinsurance assets in relation to each reinsurance arrangement that does not meet the reinsurance document test as per *Prudential Standard GPS 230 Reinsurance Management* (GPS 230).

1.1.6.10. Reinsurance assets receivable under reinsurance contracts that do not meet governing law requirements

This is the value of all reinsurance assets reported in relation to each reinsurance contract entered into by the reporting insurer incepting on or after 31 December 2008 that does not meet the governing law requirements in GPS 230.

1.1.6.11. Regulatory capital requirement of investments in subsidiaries, JVs and associates

This is the deduction for investments in subsidiaries, joint ventures and associates that are subject to regulatory capital requirements as detailed in Attachment B of GPS 112.

The amount of the deduction is the lesser of the reporting insurer's share of the regulatory capital requirements and the value of the investment that is recorded on the reporting insurer's balance sheet after adjustment for any intangibles reported in Items 1.1.6.5 and 1.1.6.6.

If the investment subject to this deduction is a non-operating holding company, a look-through approach must be applied.

This amount should correspond to the deduction reported in *GRF 112.3 Related Party Exposures*.

1.1.6.12. Assets under a fixed or floating charge

This is the value of assets of the reporting insurer that are under a fixed or floating charge, mortgage or other security to the extent of the indebtedness secured on those assets. This deduction may be reduced by the amount of any liability for the charge that is recognised on the reporting insurer's balance sheet.

Where the security exclusively supports a reporting insurer's insurance liabilities (valued in accordance with GPS 320), the deduction only applies to the amount by which the fair value of the charged assets exceeds the reporting insurer's supported insurance liabilities.

1.1.6.13. Fair value adjustments

A reporting insurer must deduct any amount required by APRA in writing where APRA considers that fair values on the balance sheet are not prudent or reliable.

1.1.6.14. Adjustments to Common Equity Tier 1 Capital due to shortfall in Additional Tier 1 Capital

This is the value, as at the relevant date, of any deductions (refer to Attachment B of GPS 112) from Common Equity Tier 1 Capital due to a shortfall in Additional Tier 1 Capital to absorb required deductions from this category of capital.

Where the amount of Tier 2 Capital as defined in GPS 112 is insufficient to cover the amount of deductions required to be made from this category of capital, the shortfall must first be deducted from Additional Tier 1 Capital and, if Additional Tier 1 Capital is insufficient to cover the amount of deductions required, the remaining amount must be deducted from Common Equity Tier 1 Capital.

1.1.6.15. Other Common Equity Tier 1 Capital adjustments

This is the value of deductions from Common Equity Tier 1 Capital that the reporting insurer must make as required under any prudential standards other than GPS 112.

1.1.7. Adjustments and exclusions to Common Equity Tier 1 Capital

This is the amount of adjustments applied to the Common Equity Tier 1 Capital that are specific to the application of the requirements in paragraph 34 of GPS 112.

Adjustments that would result in an increase to Common Equity Tier 1 Capital should be reported as a positive value.

1.2. Additional Tier 1 Capital

This is the value of instruments issued by the reporting insurer that meet the criteria for inclusion in Additional Tier 1 Capital in accordance with the GPS 112, and which are not included in Common Equity Tier 1 Capital. This is net of regulatory adjustments specified in GPS 112.

This is automatically calculated as Item 1.2.1 less Item 1.2.2 less Item 1.2.3 plus Item 1.2.4 plus Item 1.2.5.

1.2.1. Additional Tier 1 Capital instruments

This is the total amount of capital instruments issued by the reporting insurer that meet the eligibility criteria for Additional Tier 1 Capital but not the criteria for the higher quality capital, i.e. Common Equity Tier 1 Capital.

1.2.2. Less: Holdings of own Additional Tier 1 Capital instruments

This is the total effective own holdings of Additional Tier 1 Capital instruments issued by the reporting insurer unless exempted by APRA or eliminated under Australian Accounting Standards.

1.2.3. Less: Adjustments to Additional Tier 1 Capital due to shortfall in Tier 2 Capital

This is the value of any deductions (refer to Attachment B of GPS 112) from Additional Tier 1 Capital due to a shortfall in Tier 2 Capital to absorb required deductions from this category of capital.

1.2.4. Adjustments and exclusions to Additional Tier 1 Capital

This is the amount of adjustments applied to the Additional Tier 1 Capital that is specific to the application of the requirements in paragraph 34 of GPS 112.

Adjustments that would increase the amount of Additional Tier 1 Capital recognised should be reported as a positive value.

1.2.5. Transitional Additional Tier 1 Capital

This is the value of capital instruments that have been temporarily recognised and approved as Additional Tier 1 Capital for transition purposes.

1.3. Tier 1 Capital

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

It is calculated automatically as the sum of Items 1.1 and 1.2.

2. Tier 2 Capital

This is the total amount of capital instruments that meet the eligibility criteria for Tier 2 Capital but not the criteria for the higher quality capital, net of all regulatory adjustments.

It is automatically calculated as Item 2.1 less Item 2.2 plus Item 2.3 plus Item 2.4.

2.1. Eligible Tier 2 Capital instruments

This is the value of capital instruments issued by the reporting insurer that meet the eligibility criteria for Tier 2 Capital in GPS 112.

It should be reported net of any amortisation required under GPS 112.

2.2. Less: Holdings of own Tier 2 Capital instruments

This is the total effective holdings of own eligible Tier 2 Capital instruments that were issued by the reporting insurer unless exempted by APRA or eliminated under Australian Accounting Standards.

This item is to be reported as a positive amount where the insurer has holdings of its own issued Tier 2 instruments.

2.3. Adjustments and exclusions to Tier 2 Capital

This is the amount of adjustments applied to the Tier 2 Capital that are specific to the application of the requirements in paragraph 34 of GPS 112.

Adjustments that would increase the amount of Tier 2 Capital recognised should be reported as a positive value.

2.4. Transitional Tier 2 Capital

This is the value of capital instruments that have been temporarily recognised and approved as Tier 2 Capital for transition purposes

3. 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 *Prudential Standard GPS 110 Capital Adequacy*.

This is automatically calculated as the sum of Items 1.3 and 2.

Reporting Standard GRS 116.1

Probable Maximum Loss for LMIs

Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA relating to a lenders mortgage insurer's Probable Maximum Loss and Insurance Concentration Risk Charge.

It includes *Form GRF 116.1 Probable Maximum Loss for LMIs – Standard Loans, Form GRF 116.2 Probable Maximum Loss for LMIs – Non-Standard Loans, Form GRF 116.3 Probable Maximum Loss for LMIs – Commercial Loans, Form GRF 116.4 LMI Concentration Risk Charge and Form GRF 116.5 Probable Maximum Loss for LMIs – Additional Information* and associated specific instructions and must be read in conjunction with the general instruction guide and *Prudential Standard GPS 116 Capital Adequacy: Insurance Concentration Risk Charge*.

Authority

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

Purpose

2. Information collected in *Form GRF 116.1 Probable Maximum Loss for LMIs – Standard Loans, Form GRF 116.2 Probable Maximum Loss for LMIs – Non-Standard Loans, Form GRF 116.3 Probable Maximum Loss for LMIs – Commercial Loans, Form GRF 116.4 LMI Concentration Risk Charge and Form GRF 116.5 Probable Maximum Loss for LMIs – Additional Information* (the GRF 116.1 series) 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) that are lenders mortgage insurers under paragraph 4 of *Prudential Standard GPS 001 Definitions*. This Reporting

Standard applies for reporting periods ending on or after 31 December 2014~~1 January 2013~~.

Information required

4. An insurer must provide APRA with the information required by the GRF 116.1 series for each reporting period.

Forms and method of submission

5. The information required by this Reporting Standard must be given to APRA in electronic format using the 'Direct to APRA' application or, where 'Direct to APRA' is not available, by a method notified by APRA prior to submission.

Note: The 'Direct to APRA' application software may be obtained from APRA.

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 1973* (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) within the time stated in *Reporting Standard GRS 001 Reporting Requirements* (GRS 001); or

   (b) 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).

Quality control

9. 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 (AUASB) 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*.

10. 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

11. When an officer, or agent, of an insurer provides the information required by this Reporting Standard using the 'Direct to APRA' software it will be necessary for an officer, or agent, to digitally sign the relevant information using a digital certificate acceptable to APRA.

12. If an insurer provides the information required by this Reporting Standard through an agent who submits using the 'Direct to APRA' software on the insurer's behalf, the insurer must:

   (a) obtain from the agent a copy of the completed form with the information provided to APRA; and

   (b) retain the completed copy.

13. 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

14. APRA may, by written notice to the insurer, vary the reporting requirements of the GRF 116.1 series in relation to that insurer.

Transition

15. 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 the date of revocation of the old reporting standard; 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

16. 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* (GPS 001); and

(b) ***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 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;

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.

GRF_116_1: Probable Maximum Loss for LMIs - Standard Loans

Australian Business Number	
Institution Name	
Reporting Period	
Scale Factor	Thousands of dollars no decimal place
Reporting Consolidation	Licensed insurer

Section 1: ADI

1.1. 100 per cent and top cover

LVR greater than (%) (1)	LVR less than or equal to (%) (2)	Coverage proportion (%) (3)	Age < 3 years (4.1)	Age 3 < 5 years (4.2)	Age 5 < 10 years (4.3)	Age >= 10 years (4.4)	Total sum insured (5)	PD factor (6)	LGD factor (100% cover) (7)	LGD factor (top cover) (8)	PML (9)
Total											

1.2. Pool cover

Weighted-average LVR (%) (1)	Weighted-average age (2)	Seasoning factor (3)	Total sum insured (4)	PD factor (5)	LGD factor (6)	PML (7)
Total						

Section 2: Non-APRA regulated

2.1. 100 per cent and top cover

LVR greater than (%) (1)	LVR less than or equal to (%) (2)	Coverage proportion (%) (3)	Age < 3 years (4.1)	Age 3 < 5 years (4.2)	Age 5 < 10 years (4.3)	Age >= 10 years (4.4)	Total sum insured (5)	PD factor (6)	LGD factor (100% cover) (7)	LGD factor (top cover) (8)	PML (9)
Total											

2.2. Pool cover

Weighted-average LVR (%) (1)	Weighted-average age (2)	Seasoning factor (3)	Total sum insured (4)	PD factor (5)	LGD factor (6)	PML (7)
Total						

GRF_116_2: Probable Maximum Loss for LMIs - Non-Standard Loans

Australian Business Number	
Institution Name	
Reporting Period	
Scale Factor	Thousands of dollars no decimal place
Reporting Consolidation	Licensed insurer

1. ADI

1.1. 100 per cent and top cover

			Age								
LVR greater than (%) (1)	LVR less than or equal to (%) (2)	Coverage proportion (%) (3)	< 3 years (4.1)	3 < 5 years (4.2)	5 < 10 years (4.3)	>= 10 years (4.4)	Total sum insured (5)	PD factor (6)	LGD factor (100% cover) (7)	LGD factor (top cover) (8)	PML (9)
Total											

1.2. Pool cover

Weighted-average LVR (%) (1)	Weighted-average age (2)	Seasoning factor (3)	Total sum insured (4)	PD factor (5)	LGD factor (6)	PML (7)
Total						

2. Non-APRA regulated

2.1. 100 per cent and top cover

LVR greater than (%) (1)	LVR less than or equal to (%) (2)	Coverage proportion (%) (3)	Age < 3 years (4.1)	Age 3 < 5 years (4.2)	Age 5 < 10 years (4.3)	Age >= 10 years (4.4)	Total sum insured (5)	PD factor (6)	LGD factor (100% cover) (7)	LGD factor (top cover) (8)	PML (9)
Total											

2.2. Pool cover

Weighted-average LVR (%) (1)	Weighted-average age (2)	Seasoning factor (3)	Total sum insured (4)	PD factor (5)	LGD factor (6)	PML (7)
Total						

GRF_116_3: Probable Maximum Loss for LMIs - Commercial Loans

Australian Business Number	
Institution Name	
Reporting Period	
Scale Factor	Thousands of dollars no decimal place
Reporting Consolidation	Licensed insurer

Factor (1)	ADI (2)	Non-APRA regulated (3)	Total sum insured (4)	PML (5)
8%				

GRF_116_4: LMI Concentration Risk Charge

Australian Business Number	
Institution Name	
Reporting Period	
Scale Factor	Thousands of dollars no decimal place
Reporting Consolidation	Licensed insurer

1. Summary

	Sum insured	PML
1.1. Standard loans..		
1.1.1. ADI - 100 per cent and top cover.............................		
1.1.2. ADI - pool cover..		
1.1.3. Non-APRA regulated - 100 per cent and top cover.....		
1.1.4. Non-APRA regulated - pool cover............................		
1.2. Non-standard loans...		
1.2.1. ADI - 100 per cent and top cover.............................		
1.2.2. ADI - pool cover..		
1.2.3. Non-APRA regulated - 100 per cent and top cover.....		
1.2.4. Non-APRA regulated - pool cover............................		
1.3. Commercial loans...		
1.3.1. ADI..		
1.3.2. Non-APRA regulated...		
1.4. Total..		

2. LMI Concentration Risk Charge (LMICRC) calculation

	Year 1	Year 2	Year 3	Total
2.1. PML				
2.2. Adjustment to the PML				
2.3. Adjusted PML				
2.4. Available reinsurance				
2.5. Allowable reinsurance				
2.6. PML net of reinsurance				
2.7. Net premiums liability deduction				
2.8. Adjustments to LMICRC as approved by APRA				
2.9. LMI Concentration Risk Charge				
2.10. LMI Concentration Risk Charge / PML				

GRF_116_5: Probable Maximum Loss for LMIs - Additional Information

Australian Business Number	
Institution Name	
Reporting Period	
Scale Factor	Thousands of dollars no decimal place
Reporting Consolidation	Licensed insurer

Section 1: Inwards reinsurance

1.1. Standard and non-standard loans - 100 per cent and top cover

LVR greater than (%)	LVR less than or equal to (%)	Coverage proportion (%)	Age				Total inwards reinsurance	Of which non-APRA regulated	Of which non-standard loans
			< 3 years	3 < 5 years	5 < 10 years	>= 10 years			
(1)	(2)	(3)	(4.1)	(4.2)	(4.3)	(4.4)	(5)	(6)	(7)
Total..									
Of which: non-APRA regulated.......................									
Of which: non-standard loans.........................									

1.2. Standard and non-standard loans - pool cover

Weighted-average LVR (%) (1)	Weighted-average age (2)	Total inwards reinsurance (3)	Of which non-APRA regulated (4)	Of which non-standard loans (5)
Total				

1.3. Commercial loans

Total inwards reinsurance (1)	Of which non-APRA regulated (2)

1.4. Total inwards reinsurance

Total inwards reinsurance (1)	Of which non-APRA regulated (2)	Of which non-standard loans (3)

Section 2: Large liability exposures by originator

Large exposures (1)	Originator (2)	ACN / ABN (3)	Sum insured (4)	Open policy (%) (5)

GRF_116_1 Probable Maximum Loss for LMIs - Standard Loans

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

Explanatory notes

Standard loan

A standard loan is one which meets the criteria defined in Attachment A of *Prudential Standard GPS 116 Capital Adequacy: Insurance Concentration Risk Charge* (GPS 116).

100% cover

100% cover provides insurance for 100% of the loan amount.

Top cover

Top cover provides insurance for less than 100% of the loan amount.

Pool cover

A pooled LMI policy, or pool cover, is lenders mortgage insurance underwritten and issued in respect of a pool of loans. For clarity, each loan is not individually insured.

Section 1: ADI

Report in this section information relating to loans approved, advanced and funded by an authorised deposit-taking institution (ADI). An ADI has an in force authority under subsection 9(3) of the *Banking Act 1959*.

Section 2: Non-APRA regulated

Report in this section information relating to loans approved, advance and funded by entities that are not ADIs.

Instructions for specific items

Sections 1 and 2 - 1.1 and 2.1: 100 per cent and top cover

(1) LVR greater than (%)

The Loan-to-Valuation Ratio (LVR) is the ratio of the amount of the loan to the value of the secured residential property, as at the date of origination of the loan. Where the mortgage insurance premium is capitalised in the loan amount, the LVR must be calculated including the premium; that is, the loan amount must be increased by the amount of the capitalised premium, irrespective of whether the premium is insured.

The inclusion of a First Home Owners Grant in the deposit for a mortgaged property will not otherwise increase the LVR of a loan.

LMIs are required to report the sum insured according to the following categories: LVR of less than 60.01, 60.01 to 70, 70.01 to 80, 80.01 to 85, 85.01 to 90, 90.01 to 95, 95.01 to 100, and greater than 100 per cent. Report the relevant category by selecting the appropriate lower and upper bound percentages in Columns 1 and 2.

(2) LVR less than or equal to (%)

The Loan-to-Valuation Ratio (LVR) is the ratio of the amount of the loan to the value of the secured residential property, as at the date of origination of the loan. Where the mortgage insurance premium is capitalised in the loan amount, the LVR must be calculated including the premium; that is, the loan amount must be increased by the amount of the capitalised premium, irrespective of whether the premium is insured. The inclusion of a First Home Owners Grant in the deposit for a mortgaged property will not otherwise increase the LVR of a loan.

LMIs are required to report the sum insured according to the following categories: LVR of less than 60.01, 60.01 to 70, 70.01 to 80, 80.01 to 85, 85.01 to 90, 90.01 to 95, 95.01 to 100, and greater than 100 per cent. Report the relevant category by selecting the appropriate lower and upper bound percentages in Columns 1 and 2.

(3) Coverage proportion (%)

This is the percentage of cover for which the insurance provides over the loan amount.

Select from the appropriate coverage proportion percentage: 20, 25, 30, 35, 40 or 100 per cent."

(4.1) < 3 years

(4.2) 3 < 5 years

(4.3) 5 < 10 years

(4.4) >= 10 years

Age is the length of time from the date of origination of the loan to the date of calculation for the purposes of determining the seasoning factors in Attachment A of GPS 116.

Report the sums insured for the LMI policies according to the following categories: age of less than three years, three to less than five years, five to less than 10 years, and more than 10 years.

(5) Total sum insured

The sum insured is the original exposure amount for an LMI as stated in the mortgage insurance policy.

It is automatically calculated as the sum of Columns 4.1 to 4.4 multiplied by their corresponding seasoning factors.

(6) PD factor

The probability of default (PD) is the risk of default by the borrower. It varies according to LVR as per Attachment A of GPS 116.

This is automatically determined from the LVR percentages in Columns 1 and 2.

(7) LGD factor (100% cover)

Loss given default (LGD) is the loss to the LMI upon default by the borrower. It varies according to LVR as per Attachment A of GPS 116. The LGD factors are for 100% cover.

This is automatically determined from the LVR percentages in Columns 1 and 2.

(8) LGD factor (top cover)

This is the LGD factor for top cover. It is automatically calculated as Column 7 divided by Column 3, subject to a maximum of 100%.

(9) PML

For each individual LMI policy, the probable maximum loss (PML) is the sum insured multiplied by the seasoning, PD and LGD factors applicable to the policy. It is determined in accordance with Attachment A of GPS 116.

It is automatically calculated as Column 5 multiplied by Column 6 multiplied by Column 8.

Sections 1 and 2 - 1.2 and 2.2: Pool cover

(1) Weighted-average LVR (%)

Input the weighted-average LVR as a percentage for each pool. The weighted-average LVR should be calculated outside of the reporting forms and should not be based on summarised data.

(2) Weighted-average age

Input the weighted-average age (in years) for each pool. The weighted-average age should be calculated outside of the reporting forms and should not be based on summarised data.

(3) Seasoning factor

This is the seasoning factor corresponding to the weighted-average age of the pool.

It is automatically determined from the weighted-average age in Column 2.

(4) Total sum insured

Report the sum insured for pools of loans. The sum insured is the original exposure amount for an LMI as stated in the mortgage insurance policy.

(5) PD factor

This is the PD corresponding to the weighted-average LVR of the pool.

It is automatically determined from the weighted average LVR percentage in Column 1.

(6) LGD factor

This is the LGD corresponding to the weighted-average LVR of the pool.

It is automatically determined from the weighted-average LVR percentage in Column 1.

(7) PML

This is automatically calculated as Column 4 multiplied by Column 3 multiplied by Column 5 multiplied by Column 6.

GRF_116_2 Probable Maximum Loss for LMIs - Non-Standard Loans

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

Explanatory notes

Non-standard loan

A non-standard loan is a loan predominantly secured by residential property which does not meet the criteria for a standard loan as defined in Attachment A of GPS 116 and/or where APRA has given a direction that the loan should be classified as a non-standard loan.

100% cover

100% cover provides insurance for 100% of the loan amount.

Top cover

Top cover provides insurance for less than 100% of the loan amount.

Pool cover

A pooled LMI policy, or pool cover, is lenders mortgage insurance underwritten and issued in respect of a pool of loans. For clarity, each loan is not individually insured.

Section 1: ADI

Report in this section information relating to loans approved, advanced and funded by an Authorised Deposit-taking Institution (ADI). An ADI has an in force authority under subsection 9(3) of the *Banking Act 1959*.

Section 2: Non-APRA regulated

Report in this section information relating to loans approved, advance and funded by entities that are not ADIs.

Instructions for specific items

Sections 1 and 2 - 1.1 and 2.1: 100 per cent and top cover

(1) LVR greater than (%)

The Loan-to-Valuation Ratio (LVR) is the ratio of the amount of the loan to the value of the secured residential property, as at the date of origination of the loan. Where the mortgage insurance premium is capitalised in the loan amount, the LVR must be calculated including the premium; that is, the loan amount must be increased by the amount of the capitalised premium, irrespective of whether the premium is insured. The inclusion of a First Home Owners Grant in the deposit for a mortgaged property will not otherwise increase the LVR of a loan.

Lenders mortgage insurers (LMIs) are required to report the sum insured according to the following categories: LVR of less than 60.01, 60.01 to 70, 70.01 to 80, 80.01 to 85, 85.01 to 90, 90.01 to 95, 95.01 to 100, and greater than 100 per cent. Report the relevant category by selecting the appropriate lower and upper bound percentages in Columns 1 and 2.

(2) LVR less than or equal to (%)

The Loan-to-Valuation Ratio (LVR) is the ratio of the amount of the loan to the value of the secured residential property, as at the date of origination of the loan. Where the mortgage insurance premium is capitalised in the loan amount, the LVR must be calculated including the premium; that is, the loan amount must be increased by the amount of the capitalised premium, irrespective of whether the premium is insured. The inclusion of a First Home Owners Grant in the deposit for a mortgaged property will not otherwise increase the LVR of a loan.

Lenders mortgage insurers (LMIs) are required to report the sum insured according to the following categories: LVR of less than 60.01, 60.01 to 70, 70.01 to 80, 80.01 to 85, 85.01 to 90, 90.01 to 95, 95.01 to 100, and greater than 100 per cent. Report the relevant category by selecting the appropriate lower and upper bound percentages in Columns 1 and 2.

(3) Coverage proportion (%)

This is the percentage of cover for which the insurance provides over the loan amount.

Select from the appropriate coverage proportion percentage: 20, 25, 30, 35, 40 or 100 per cent.

(4.1) < 3 years

(4.2) 3 < 5 years

(4.3) 5 < 10 years

(4.5) >= 10 years

Age is the length of time from the date of origination of the loan to the date of calculation for the purposes of determining the seasoning factors in Attachment A of GPS 116.

Report the sums insured for the LMI policies according to the following categories: age of less than three years, three to less than five years, five to less than 10 years, and more than 10 years.

(5) Total sum insured

The sum insured is the original exposure amount for an LMI as stated in the mortgage insurance policy.

It is automatically calculated as the sum of Columns 4.1 to 4.4 multiplied by their corresponding seasoning factors.

(6) PD factor

The probability of default (PD) is the risk of default by the borrower. It varies according to LVR as per Attachment A of GPS 116.

This is automatically determined from the LVR percentages in Columns 1 and 2.

(7) LGD factor (100% cover)

Loss given default (LGD) is the loss to the LMI upon default by the borrower. It varies according to LVR as per Attachment A of GPS 116. The LGD factors are for 100% cover.

This is automatically determined from the LVR percentages in Columns 1 and 2.

(8) LGD factor (top cover)

This is the LGD factor for top cover. It is automatically calculated as Column 7 divided by Column 3, subject to a maximum of 100%.

(9) PML

For each individual LMI policy, the probable maximum loss (PML) is the sum insured multiplied by the seasoning, PD and LGD factors applicable to the policy. It is determined in accordance with Attachment A of GPS 116.

It is automatically calculated as Column 5 multiplied by Column 6 multiplied by Column 8.

Sections 1 and 2 - 1.2 and 2.2: Pool cover

(1) Weighted-average LVR (%)

Input the weighted-average LVR as a percentage for each pool. The weighted-average LVR should be calculated outside of the reporting forms and should not be based on summarised data.

(2) Weighted-average age

Input the weighted-average age (in years) for each pool. The weighted-average age should be calculated outside of the reporting forms and should not be based on summarised data.

(3) Seasoning factor

This is the seasoning factor corresponding to the weighted-average age of the pool.

It is automatically determined from the weighted-average age in Column 2.

(4) Total sum insured

Report the sum insured for pools of loans. The sum insured is the original exposure amount for an LMI as stated in the mortgage insurance policy.

(5) PD factor

This is the PD corresponding to the weighted-average LVR of the pool.

It is automatically determined from the weighted average LVR percentage in Column 1.

(6) LGD factor

This is the LGD corresponding to the weighted-average LVR of the pool.

It is automatically determined from the weighted-average LVR percentage in Column 1.

(7) PML

This is automatically calculated as Column 4 multiplied by Column 3 multiplied by Column 5 multiplied by Column 6.

GRF_116_3 Probable Maximum Loss for LMIs - Commercial Loans

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

Explanatory notes

Commercial loan

A commercial loan is a loan that is not predominantly secured by a registered mortgage over residential property, and/or where APRA has given a direction that the loan should be classified as a commercial loan.

Instructions for specific items

(1) Factor

The probable maximum loss (PML) for a commercial loan is the sum insured multiplied by 8%.

(2) ADI

Report the sum insured for individual lenders mortgage insurer (LMI) policies insuring commercial loans that are approved, advanced and funded by an authorised deposit-taking institution (ADI).

(3) Non-APRA regulated

Report the sum insured for individual LMI policies insuring commercial loans that are approved, advanced and funded by a non-ADI.

(4) Total sum insured

The sum insured is the original exposure amount for an LMI as stated in the mortgage insurance policy.

(5) PML

This is automatically calculated as Column 4 multiplied by Column 1.

GRF_116_4 LMI Concentration Risk Charge

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

Instructions for specific items

(4) Summary

These columns represent the total sum insured and probable maximum losses (PMLs) across all loans types, coverage types and origination channels.

Amounts are automatically derived from corresponding amounts in *GRF 116.1 Probable Maximum Loss for LMIs – Standard Loans* (GRF 116.1), *GRF 116.2 Probable Maximum Loss for LMIs – Non-Standard Loans* (GRF 116.2) and *GRF 116.3 Probable Maximum Loss for LMIs – Commercial Loans* (GRF 116.3).

1.1 Standard loans

This is automatically calculated as the sum of Items 1.1.1 to 1.1.4.

1.1.1 ADI - 100 per cent and top cover

This amount is automatically derived from Columns 5 and 9 of Table 1.1 in GRF 116.1.

1.1.2 ADI - pool cover

This amount is automatically derived from Columns 4 and 7 of Table 1.2 in GRF 116.1.

1.1.3 Non-APRA regulated - 100 per cent and top cover

This amount is automatically derived from Columns 5 and 9 of Table 2.1 in GRF 116.1.

1.1.4 Non-APRA regulated - pool cover

This amount is automatically derived from Columns 4 and 7 of Table 2.2 in GRF 116.1.

1.2 Non-standard loans

This is automatically calculated as the sum of Items 1.2.1 to 1.2.4.

1.2.1 ADI - 100 per cent and top cover

This amount is automatically derived from Columns 5 and 9 of Table 1.1 in GRF 116.2.

1.2.2 ADI - pool cover

This amount is automatically derived from Columns 4 and 7 of Table 1.2 in GRF 116.2.

1.2.3 Non-APRA regulated - 100 per cent and top cover

This amount is automatically derived from Columns 5 and 9 of Table 2.1 in GRF 116.2.

1.2.4 Non-APRA regulated - pool cover

This amount is automatically derived from Columns 4 and 7 of Table 2.2 in GRF 116.2.

1.3 Commercial loans

This is automatically calculated as the sum of Items 1.3.1 and 1.3.2.

1.3.1 ADI

This amount is automatically derived from GRF 116.3.

1.3.2 Non-APRA regulated

This amount is automatically derived from GRF 116.3.

1.4 Total

This is automatically calculated as the sum of Items 1.1, 1.2 and 1.3.

(5) LMI Concentration Risk Charge (LMICRC) calculation

This represents the years for the Prescribed Stress Scenario which is in the form of a three-year economic or property downturn. The PML must be allocated in the proportion of 25 per cent to year one, 50 per cent to year two and 25 per cent to year three of the downturn.

2.1. PML

This represents the total PML across all loan types, coverage types and origination channels. Total PML is automatically allocated in the proportions of 25 per cent to year one, 50 per cent to year two and 25 per cent to year three of the Prescribed Stress Scenario.

2.2. Adjustment to the PML

For a lenders mortgage insurer (LMI) no longer writing new business (i.e. in run-off), the sum insured is expected to decrease over the three-year scenario and it may be appropriate for an LMI in run-off to adjust its PML downwards. The methodology for adjusting an LMI’s PML in a run-off situation must be approved by APRA and documented in the LMI’s Reinsurance Management Strategy (ReMS).

A reduction in PML is to be entered as a positive amount. Do not enter any other adjustments to PML in this field.

2.3. Adjusted PML

This is automatically calculated as Item 2.1 less Item 2.2.

2.4. Available reinsurance

Report the amount of available reinsurance for each of the three years of the Prescribed Stress Scenario. The methodology for calculating available reinsurance is detailed in Attachment A of GPS 116.

2.5. Allowable reinsurance

This is the lesser of *Available reinsurance* and 60 per cent of the Adjusted PML. It is automatically calculated by the form.

2.6. PML net of reinsurance

This is automatically calculated as Item 2.3 less Item 2.5.

2.7. Net premiums liability deduction

In determining the LMI Concentration Risk Charge (LMICRC), this is the value of the deduction from the PML, allowed under GPS 116, for net premiums liability of the LMI that relates to an economic downturn.

It is to be reported as a positive amount.

2.8. Adjustments to LMICRC as approved by APRA

If APRA is of the view that the Standard Method for calculating the LMICRC component of the prescribed capital amount 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 LMICRC, APRA may adjust the LMICRC calculation for that reporting insurer.

An increase in the LMICRC is to be reported as a positive amount.

2.9. LMI Concentration Risk Charge

This is automatically calculated as Item 2.6 less Item 2.7 plus Item 2.8.

2.10. LMI Concentration Risk Charge / PML

This is automatically calculated as Item 2.9 divided by Item 2.3.

GRF_116_5: Probable Maximum Loss for LMIs – Additional Information

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

Explanatory notes

Section 1: Inwards reinsurance

This section relates to policies held with the insurer by other lenders mortgage insurers (LMIs).

Section 2: Large liability exposures by originator

Information is to be reported in this section for the five largest liability exposures by originator.

Calculation of LMICRC

The information on this form will not directly affected the calculation of the LMI concentration risk charge

Specific reporting instructions

Section 1: 1.1

(1) LVR greater than (%)

(2) LVR less than or equal to (%)

(3) Coverage proportion (%)

(4.1.) < 3 years

(4.2.) 3 < 5 years

(4.3.) 5 < 10 years

(4.4.) >= 10 years

Refer to instructions for the corresponding columns in Section 1: 1.1 of GRF 116.1.

(5) Total inwards reinsurance

Report the total inwards reinsurance exposure for the LMI relating to 100 per cent and top cover loans.

This is automatically calculated as the sum of Columns 4.1 to 4.4 multiplied by their corresponding seasoning factors.

(6) Of which non-APRA regulated

Report the total inwards reinsurance exposure relating to policies insuring 100 per cent and top cover loans that are approved, advanced and funded by non-ADIs.

(7) Of which non-standards loans

Report the total inwards reinsurance exposure relating to policies insuring non-standard, 100 per cent and top cover loans.

Section 1: 1.2

(1) Weighted average LVR (%)

(2) Weighted-average age

Refer to instructions for the corresponding columns in Section 1: 1.2 of GRF 116.1.

(3) Total inwards reinsurance

Report the total inwards reinsurance exposure for the LMI relating to pool cover loans.

(4) Of which non-APRA regulated

Report the total inwards reinsurance exposure relating to policies insuring pool cover loans that are approved, advanced and funded by non-ADIs.

(5) Of which non-standard loans

Report the total inwards reinsurance exposure relating to policies insuring non-standard, pool cover loans.

Section 1: 1.3

(1) Total inwards reinsurance

Report the total inwards reinsurance exposure for the LMI relating to commercial loans.

(2) Of which non-APRA regulated

Report the total inwards reinsurance exposure relating to policies insuring commercial loans that are approved, advanced and funded by non-ADIs.

Section 1: 1.4

(1) Total inwards reinsurance

This is automatically calculated as the sum of Column 5 of 1.1, Column 3 of 1.2 and Column 1 of 1.3.

(2) Of which non-APRA regulated

This is automatically calculated as the sum of Column 6 of 1.1, Column 4 of 1.2 and Column 2 of 1.3.

(3) Of which non-standards loans

This is automatically calculated as the sum of Column 7 of 1.1 and Column 5 of 1.2.

Section 2

(1) Large exposures

This indicates the ranking of the five largest liability exposures by a number from 1 to 5.

(2) Originator

Report the name of the originator.

(3) ACN / ABN

Where relevant, this column reports the Australian Company Number (ACN) of the originator reported in column 2. In cases where the originator doesn't have an ACN but it does have an Australian Business Number (ABN) or an Australian Registered Body Number (ARBN), the ABN or ARBN should be reported. If the originator does not have an ACN, ABN, or ARBN the column should be left blank.

Input the number without spaces.

(4) Sum insured

Report the total sum insured for the originator.

(5) Open policy (%)

Open policy is a legal arrangement whereby a lender is given direct underwriting control for mortgage insurance policies without reference to the LMI, subject to the transaction meeting certain underwriting requirements. Report the percentage of insurance policies, by value, written under open policy