

Financial Sector (Collection of Data) (reporting standard) determination Nos. 1 to 26 of 2013

EXPLANATORY STATEMENT

Prepared by the Australian Prudential Regulation Authority (APRA)

Financial Sector (Collection of Data) Act 2001, subsections 13(1) and 15(1)
Acts Interpretation Act 1901, subsection 33(3)

Under paragraph 13(1)(a) of the *Financial Sector (Collection of Data) Act 2001* (FSCODA), APRA has the power to determine reporting standards, in writing, with which financial sector entities must comply. Such standards relate to reporting financial or accounting data and other information regarding the business or activities of the entities. Subsection 15(1) of FSCODA provides that APRA may declare a date on and after which reporting standards are to apply.

Subsection 33(3) of the *Acts Interpretation Act 1901* provides that where an Act confers a power to issue an instrument the power shall, unless the contrary intention appears, be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to revoke and vary any such instrument.

On 20 December 2012, APRA made the following determinations (the instruments):

1. Financial Sector (Collection of Data) (reporting standard) determination No. 1 of 2013, which makes *Reporting Standard GRS 001 Reporting Requirements*;
2. Financial Sector (Collection of Data) (reporting standard) determination No. 2 of 2013, which revokes *Reporting Standard GRS 110.0 (2010) Minimum Capital Requirement* made on 30 July 2010 and makes a new *Reporting Standard GRS 110.1 Prescribed Capital Amount*;
3. Financial Sector (Collection of Data) (reporting standard) determination No. 3 of 2013, which revokes *Reporting Standard GRS 120.0 (2010) Determination of Capital Base* made on 30 July 2010 and makes a new *Reporting Standard GRS 112.0 Determination of Capital Base*;
4. Financial Sector (Collection of Data) (reporting standard) determination No. 7 of 2013, which revokes *Reporting Standard GRS 160.0 (2010) Derivative Activity and Risk Charge* made on 30 July 2010 and makes a new *Reporting Standard GRS 114.2 Derivatives Activity*;
5. Financial Sector (Collection of Data) (reporting standard) determination No. 9 of 2013, which revokes *Reporting Standard GRS 140 (2010) Investments* made on 17 August 2010 and makes a new *Reporting Standard GRS 114.4 Details of Investment Assets*;
6. Financial Sector (Collection of Data) (reporting standard) determination No. 10 of 2013, which revokes *Reporting Standard GRS 210 (2010) Insurance Risk Charge* made on 30 July 2010 and makes a new *Reporting Standard GRS 115.0 Outstanding Claims Liabilities – Insurance Risk Charge*;

7. Financial Sector (Collection of Data) (reporting standard) determination No. 13 of 2013, which revokes *Reporting Standard GRS 170.1 (2010) Maximum Event Retention and Risk Charge for Lenders Mortgage Insurers* made on 30 July 2010 and makes a new *Reporting Standard GRS 116.1 Probable Maximum Loss for LMIs*;
8. Financial Sector (Collection of Data) (reporting standard) determination No. 14 of 2013, which revokes *Reporting Standard GRS 150.0 (2008) Asset Exposure Concentrations and Risk Charge* made on 16 October 2008 and makes a new *Reporting Standard GRS 117.0 Asset Concentration Risk Charge*;
9. Financial Sector (Collection of Data) (reporting standard) determination No. 17 of 2013, which revokes *Reporting Standard GRS 310 (2010) Revenue, Expenses and Statement of Financial Performance* made on 30 July 2010 and makes a new *Reporting Standard GRS 310.0 Income Statement*;
10. Financial Sector (Collection of Data) (reporting standard) determination No. 21 of 2013, which revokes *Reporting Standard GRS 400 (2010) Supplementary Reporting Information* made on 30 July 2010 and makes a new *Reporting Standard GRS 400.0 Statement of Risk by Country*; and
11. Financial Sector (Collection of Data) (reporting standard) determination No. 26 of 2013, which revokes :
 - (a) *Reporting Standard GRS 170.0 (2008) Concentration Risk Charge* made on 16 October 2008; and
 - (b) *Reporting Standard GRS 900.0 Transitional Arrangements 2010*.

The instruments commence on 1 January 2013. The instruments are being registered after this date; however the requirements apply to reporting periods ending no earlier than 28 February 2013. No insurer will be impacted by the retrospective registration as the time for lodging forms with APRA will arise no earlier than 20 business days after 28 February 2013.

On 20 December 2012, APRA made the following determinations that were then varied and re-signed on 12 February 2013 (the instruments):

1. Financial Sector (Collection of Data) (reporting standard) determination No. 4 of 2013, which makes *Reporting Standard GRS 112.3 Related Party Exposures*;
2. Financial Sector (Collection of Data) (reporting standard) determination No. 5 of 2013, which makes *Reporting Standard GRS 114.0 Asset Risk Charge*;
3. Financial Sector (Collection of Data) (reporting standard) determination No. 6 of 2013, which makes *Reporting Standard GRS 114.1 Assets by Counterparty Grade*;
4. Financial Sector (Collection of Data) (reporting standard) determination No. 8 of 2013, which revokes:

- (a) *Reporting Standard GRS 130.0 (2008) Off Balance Sheet Business – Credit Substitutes Provided and Risk Charge* made on 16 October 2008;
- (b) *Reporting Standard GRS 130.1 (2008) Off Balance Sheet Business – Liquidity Support Facilities Obtained* made on 16 October 2008;
- (c) *Reporting Standard GRS 130.2 (2008) Off Balance Sheet Business – Charges Granted and Risk Charge* made on 16 October 2008;
- (d) *Reporting Standard GRS 130.3 (2008) Off Balance Sheet Business – Credit Support Received* made on 16 October 2008;

and makes a new *Reporting Standard GRS 114.3 Off-balance Sheet Business*;

5. Financial Sector (Collection of Data) (reporting standard) determination No. 11 of 2013, which makes *Reporting Standard GRS 115.1 Premiums Liabilities – Insurance Risk Charge*;
6. Financial Sector (Collection of Data) (reporting standard) determination No. 12 of 2013, which makes *Reporting Standard GRS 116.0 Insurance Concentration Risk Charge*;
7. Financial Sector (Collection of Data) (reporting standard) determination No. 15 of 2013, which makes *Reporting Standard GRS 118.0 Operational Risk Charge*;
8. Financial Sector (Collection of Data) (reporting standard) determination No. 16 of 2013, which revokes:
 - (a) *Reporting Standard GRS 300.0 (2010) Statement of Financial Position* made on 30 July 2010; and
 - (b) *Reporting Standard GRS 301.0 (2010) Reinsurance Assets and Risk Charge* made on 30 July 2010,

and makes a new *Reporting Standard GRS 300.0 Statement of Financial Position*;

9. Financial Sector (Collection of Data) (reporting standard) determination No. 18 of 2013, which makes *Reporting Standard GRS 310.1 Premium Revenue and Reinsurance Expense*;
10. Financial Sector (Collection of Data) (reporting standard) determination No. 19 of 2013, which makes *Reporting Standard GRS 310.2 Claims Expense and Reinsurance Recoveries*;
11. Financial Sector (Collection of Data) (reporting standard) determination No. 20 of 2013, which makes *Reporting Standard GRS 310.3 Details of Income and Expenses*;
12. Financial Sector (Collection of Data) (reporting standard) determination No. 22 of 2013, which makes *Reporting Standard GRS 410.0 Movement in Outstanding Claims Liabilities*;

13. Financial Sector (Collection of Data) (reporting standard) determination No. 23 of 2013, which makes *Reporting Standard GRS 420.0 Premium Revenue by State and Territory of Australia*;
14. Financial Sector (Collection of Data) (reporting standard) determination No. 24 of 2013, which makes *Reporting Standard GRS 430.0 Claims Expense by State and Territory of Australia*; and
15. Financial Sector (Collection of Data) (reporting standard) determination No. 25 of 2013, which makes *Reporting Standard GRS 440.0 Claims Development Table*.

The instruments commence on 12 February 2013. The instruments are being registered after this date; however the requirements apply to reporting periods ending no earlier than 28 February 2013. No insurer will be impacted by the retrospective re-signing and registration as the time for lodging forms with APRA will arise no earlier than 20 business days after 28 February 2013.

1. Background

APRA commenced a review of the regulatory capital framework for general insurers and life companies (LAGIC review) in 2010. The broad aims of the review were to:

- improve the risk sensitivity and appropriateness of the capital standards in general insurance and life insurance (including friendly societies); and
- where appropriate, improve the alignment of the capital standards across the industries that APRA supervises.

APRA has made a range of amendments to its prudential framework to give effect to the findings of the review. As a result of the changes, there is a common capital framework for required capital and eligible capital across general insurers and life companies. The minimum capital requirement is known as the Prudential Capital Requirement (PCR). This comprises a prescribed capital amount plus any supervisory adjustment determined by APRA. General insurers must at all times satisfy minimum requirements for the composition of their capital bases and ensure that the capital base exceeds the PCR.

2. Purpose and operation of the instruments

The purpose of making the instruments is to introduce new and amended reporting standards and to revoke existing reporting standards in relation to general insurers in order to implement the changes under the LAGIC review.

The implementation of the revised capital framework under LAGIC requires substantive changes to the reporting requirements for both general insurers and life companies. For general insurers, amendments to the methodology for calculating the prescribed capital amount are made. This includes the introduction of an explicit operational risk charge, revisions to the calculation of the asset risk charge, insurance concentration risk charge and asset concentration risk charge. The definitions of

capital base and the categories of capital included in the capital base were also revised.

APRA has also taken the opportunity to make improvements to the reporting requirements of general insurers, by implementing a number of changes to enhance the general insurance publications. The timing of submission of annual returns and a small number of technical changes to data submission were also made.

For general insurers, the changes to reporting requirements arising from the LAGIC review are effected through the instruments.

The new reporting standards and associated reporting forms are issued under FSCODA. These reporting standards enable the reporting requirements of the revised prudential framework to take effect.

The collection of quarterly and annual data under the new general insurance prudential reporting requirements will commence for the first reporting period ending on or after 1 January 2013.

3. Consultation

APRA undertook consultation on the LAGIC review between May 2010 and October 2012, including four rounds of industry consultation, three technical papers and two quantitative impact studies.

- In addition to extensive consultation in relation to the prudential requirements, APRA released the following consultation materials in relation to the reporting requirements: June 2012 – Discussion paper ‘Review of capital standards for general insurers and life insurers – proposed revisions to reporting requirements’¹, draft versions of reporting forms and instructions, reporting standards and capital adequacy calculation workbooks and instructions;
- August 2012 – Letter to insurers ‘Additional proposed changes to the reporting standards’²; and
- October 2012 – Response paper ‘Review of capital standards for general insurers and life insurers – reporting requirements’³, final versions of all forms and instructions and reporting standards.

APRA has considered both formal and informal feedback from industry throughout the above multi-year process. Submissions received by APRA were broadly supportive of the changes. Issues considered to be significant or to have merit were incorporated into the revised capital framework.

¹ <http://www.apra.gov.au/CrossIndustry/Consultations/Pages/LAGIC-Reporting-Requirements-June-2012.aspx>

² <http://www.apra.gov.au/CrossIndustry/Consultations/Documents/120806-letter-to-industry-LAGIC-proposed-changes-to-reporting-standards.pdf>

³ <http://www.apra.gov.au/lifs/ReportingFramework/Pages/LAGIC-final-reporting-requirements-LI-October-2012.aspx>

4. Regulation Impact Statement

A Regulation Impact Statement has been prepared and has been lodged as supporting material.

5. Statement of compatibility prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*

The legislative instruments the subject of this explanatory statement do not engage any of the applicable rights or freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*. Accordingly, in APRA's assessment, these legislative instruments are compatible with human rights.