

**Financial Sector (Collection of Data) (reporting standard) determination No. 11 of 2023**

**Reporting Standard GRS 116.0 Insurance Concentration Risk Charge**

*Financial Sector (Collection of Data) Act 2001*

I, Michael Murphy, delegate of APRA, under paragraph 13(1)(a) of the *Financial Sector (Collection of Data) Act 2001* (the Act) and subsection 33(3) of the *Acts Interpretation Act 1901*:

1. REVOKE Financial Sector (Collection of Data) (reporting standard) determination No. 12 of 2013, including *Reporting Standard GRS 116.0 Insurance Concentration Risk Charge* made under that Determination; and
2. DETERMINE *Reporting Standard GRS 116.0 Insurance Concentration Risk Charge,* in the form set out in the Schedule, which applies to the financial sector entities to the extent provided in paragraph 3 of the reporting standard.

Under section 15 of the Act, I DECLARE that the reporting standard shall begin to apply to those financial sector entities on 1 April 2023, and the revoked reporting standard shall cease to apply, on 1 April 2023.

This instrument commences on 1 April 2023.

Dated: 16 March 2023

Michael Murphy

General Manager – Chief Data Officer (Acting),

Technology and Data Division

**Interpretation**

In this Determination:

***APRA*** means the Australian Prudential Regulation Authority.

***financial sector entity*** has the meaning given by section 5 of the Act.

**Schedule**

*Reporting Standard GRS 116.0 Insurance Concentration Risk Charge* comprises the document commencing on the following page.

****

**Reporting Standard GRS 116.0**

**Insurance Concentration Risk Charge**

**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 Insurance Concentration Risk Charge.

It includes *Form GRF 116.0 Insurance Concentration Risk Charge* 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**

* 1. Information collected in *Form GRF 116.0 Insurance Concentration Risk Charge* (GRF 116.0) is used by APRA for the purpose of prudential supervision including assessing compliance with the capital standards.

**Application and commencement**

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

**Information required**

* 1. An insurer must provide APRA with the information required by Form GRF 116.0 for each reporting period.

**Method of submission**

* 1. The information required by this Reporting Standard must be given to APRA:
		1. in electronic format using an electronic method available on APRA’s website; or
		2. by a method notified by APRA prior to submission.

**Reporting periods and due dates**

* 1. Subject to paragraph 7, an insurer must provide the information required by this Reporting Standard:
1. in respect of each quarter based on the financial year of the insurer; and
2. 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.

* 1. 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.
	2. The information required by this Reporting Standard in respect of an insurer must be provided to APRA:
		1. within the time stated in *Reporting Standard GRS 001 Reporting Requirements* (GRS 001); or
		2. 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**

* 1. 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:
1. 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
2. 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*.
	1. 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**

* 1. When an officer, or agent, of an insurer provides the information required by this Reporting Standard it will be necessary for an officer, or agent, to digitally sign the relevant information using a digital certificate acceptable to APRA.
	2. If an insurer provides the information required by this Reporting Standard through an agent who submits on the insurer’s behalf, the insurer must:
		1. obtain from the agent a copy of the completed form with the information provided to APRA; and
		2. retain the completed copy.
	3. 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:
1. the Principal Executive Officer of the insurer; or
2. the Chief Financial Officer of the insurer.

**Variations**

* 1. APRA may, by written notice to the insurer, vary the reporting requirements of Form GRF 116.0in relation to that insurer.

**Interpretation**

* 1. In this Reporting Standard (including the attachments):
1. unless the contrary intention appears, words and expressions have the meanings given to them in *Prudential Standard GPS 001 Definitions* (GPS 001); and
2. ***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 The Australian Reinsurance Pool Corporation is also an APRA-authorised reinsurer for the purposes of this definition;

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

***Chief Financial Officer*** means the chief financial officer of the 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\_0: Insurance Concentration Risk Charge** |

|  |  |
| --- | --- |
| **Australian Business Number** | **Institution Name** |
|  |  |
| **Reporting Period** | **Scale Factor**  |
| Quarterly / Annual | Thousands of dollars no decimal place |
| **Reporting Consolidation** |  |
| Licensed insurer |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1. **Natural perils vertical requirement (NP VR)**
 |  |  |  |  |  |
| * 1. Basis for determination of NP VR (Gross/Net)
 |  |  |  |  |  |
| * 1. NP PML
 |  |  |  |  |  |
| * 1. Less: NP reinsurance recoverables
 |  |  |  |  |  |
| * 1. Net whole-of-portfolio loss
 |  |  |  |  |  |
| * 1. Less: NP reinstatement premiums
 |  |  |  |  |  |
| * 1. Add: NP reinstatement cost
 |  |  |  |  |  |
| * 1. Less: Other adjustments
 |  |  |  |  |  |
|  |  |  |  |  |  |
| 1. **Natural perils horizontal requirement (NP HR)**
 |  |  |  |  |  |
|  |  |  |  |  |  |
| * 1. Commencement date of catastrophe reinsurance program
 |  |  |  |  |  |
| * 1. End date of catastrophe reinsurance program
 |  |  |  |  |  |
|  |  |  |  |  |  |
| * 1. **H3 requirement**
 |  |  |  |  |  |
| * + 1. Basis for determination of H3 requirement (Gross/Net)
 |  |  |  |  |  |
| * + 1. Single event loss from H3 event
 |  |  |  |  |  |
|  |  |  |  |  |  |
|  | **First event** | **Second event** | **Third event** | **Total** |  |
| * + 1. H3 reinsurance recoverables
 |  |  |  |  |  |
| * + 1. H3 aggregate offset
 |  |  |  |  |  |
| * + 1. H3 reinstatement premiums
 |  |  |  |  |  |
| * + 1. H3 reinstatement cost
 |  |  |  |  |  |
| * + 1. H3 loss per event
 |  |  |  |  |  |
|  |  |  |  |  |  |
| * 1. **H4 requirement**
 |  |  |  |  |  |
| * + 1. Basis for determination of H4 requirement (Gross/Net)
 |  |  |  |  |  |
| * + 1. Single event loss from H4 event
 |  |  |  |  |  |
|  |  |  |  |  |  |
|  | **First event** | **Second event** | **Third event** | **Fourth event** | **Total** |
| * + 1. H4 reinsurance recoverables
 |  |  |  |  |  |
| * + 1. H4 aggregate offset
 |  |  |  |  |  |
| * + 1. H4 reinstatement premiums
 |  |  |  |  |  |
| * + 1. H4 reinstatement cost
 |  |  |  |  |  |
| * + 1. H4 loss per event
 |  |  |  |  |  |
|  |  |  |  |  |  |
| * 1. PL offset
 |  |  |  |  |  |
|  |  |  |  |  |  |
| 1. **Other accumulations vertical requirement (OA VR)**
 |  |  |  |  |  |
| * 1. OA PML
 |  |  |  |  |  |
| * 1. Less: PL adjustment to OA PML
 |  |  |  |  |  |
| * 1. Less: OA reinsurance recoverables
 |  |  |  |  |  |
| * 1. Add: OA reinstatement cost
 |  |  |  |  |  |
|  |  |  |  |  |  |
| 1. **LMI concentration risk charge**
 |  |  |  |  |  |
|  |  |  |  |  |  |
| 1. **Adjustments to Insurance Concentration Risk Charge**
 |  |  |  |  |  |
|  |  |  |  |  |  |
| **Description** | **Transitional?** | **Amount** |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| 1. **Insurance Concentration Risk Charge**
 |  |  |  |  |  |

**GRF\_116\_0: Insurance Concentration Risk Charge**

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

**Explanatory notes**

**Insurance concentration risk charge (ICRC)**

The insurer is not required to report each component of the ICRC where the amount determined for one or more of the components is always expected to be materially lower than the amount determined for one or more of the other components.

**Natural perils horizontal requirement (NP HR)**

The NP HR of the ICRC was effective from 1 January 2014.

This means that, from 1 January 2013 to 31 December 2013, the calculation of ICRC was based only on the natural perils vertical requirement (NP VR), the other accumulations vertical requirement (OA VR) and the lenders mortgage insurer concentration risk charge (LMICRC). The NP HR must be considered for calculating the ICRC for reporting periods commencing after 1 January 2014.

**Specific reporting instructions**

1. **Natural perils vertical requirement (NP VR)**

The NP VR is automatically calculated as:

1. the greater of Item 1.2 less Item 1.3, or Item 1.4; less
2. Item 1.5; plus
3. Item 1.6; less
4. Item 1.7.

**1.1 Basis for determination of NP VR**

The insurer must enter ‘Gross’ or ‘Net’ at this item.

The insurer must enter ‘Gross’ if it has determined that the NP VR would be greater, if it is based on the gross loss arising from the occurrence of a single event, than the net loss arising from the occurrence of a single event.

The insurer must enter ‘Net’ if it has determined that the NP VR would be greater, if it is based on the net loss arising from the occurrence of a single event, than the gross loss arising from the occurrence of a single event.

**1.2 NP PML**

The insurer must only report this item if the insurer has entered ‘Gross’ in Item 1.1.

NP PML is the gross loss arising from the occurrence of a single event, where that loss is not less than the whole-of-portfolio annual loss with a 0.5 per cent probability of occurrence.

**1.3 Less: NP reinsurance recoverables**

The insurer must only report this item if the insurer has entered ‘Gross’ in Item 1.1.

NP reinsurance recoverables is the level of potential reinsurance recoverables should there be the occurrence of the event that gives rise to NP PML. This amount must not include any amounts due from aggregate reinsurance cover.

**1.4 Net whole-of-portfolio loss**

The insurer must only report this item if the insurer has entered ‘Net’ in Item 1.1.

Net whole-of-portfolio loss is the net loss arising from the occurrence of a single event where that net loss is not less than the whole-of-portfolio annual net loss with a 0.5 per cent probability of occurrence.

**1.5 Less: NP reinstatement premiums**

NP reinstatement premiums are applicable to insurers that write reinsurance and may receive inwards reinstatement premiums from cedants as a result of the event that gives rise to its NP PML, or the net whole-of-portfolio loss. NP reinstatement premiums must only be included in NP VR if the reinsurance contract specifically stipulates that offsetting with the cedant will occur at the time of the payment of the reinsurance claim.

**1.6 Add: NP reinstatement cost**

NP reinstatement cost is the cost (if any) of reinstating all catastrophe reinsurance cover relating to the reinsurance recoverables determined. In determining this cost, if the insurer does not have contractually agreed rates for the reinsurance cover, the insurer must estimate the cost based on current reinsurance market conditions. The amount must not be less than the full original cost of the cover with no deduction for the expiry of time since the inception of the reinsurance arrangements unless the insurer is able to demonstrate to APRA that the amount materially overstates the cost that would prevail.

**1.7 Less: Other adjustments**

Other adjustments include potential reinsurance recoverables from aggregate reinsurance cover. Aggregate reinsurance cover is eligible to be considered for inclusion in the NP VR once the aggregate reinsurance cover has reached its attachment point, or will as a result of the occurrence of NP PML, or net whole-of-portfolio loss, as appropriate. The reinsurance recoverables from aggregate reinsurance cover must then be applied up until the cover has been exhausted by claims by the insurer or the date that the aggregate reinsurance treaty expires, whichever occurs first.

1. **Natural perils horizontal requirement (NP HR)**

The NP HR is automatically calculated as the greater of Items 2.3 and 2.4, less Item 2.5.

**2.1 Commencement date of catastrophe reinsurance program**

The insurer is required to report the commencement date of the catastrophe reinsurance program. Where the insurer has multiple inception dates for its catastrophe reinsurance program it must consult with APRA to determine the relevant commencement date.

**2.2 End date of catastrophe reinsurance program**

The insurer is required to report the end date of the catastrophe reinsurance program. Where the insurer has multiple inception dates for its catastrophe reinsurance program it must consult with APRA to determine the relevant end date.

**2.3 H3 requirement**

The H3 requirement is automatically calculated as the total over the three events for Item 2.3.7.

**2.3.1 Basis for determination of H3 requirement**

The insurer must select ‘gross’ or ‘net’ from the dropdown box.

The insurer must select ‘gross’ if it has determined that the H3 requirement would be greater if it is based on the gross loss arising from the occurrence of a single event, when compared to the net loss arising from the occurrence of a single event.

The insurer must select ‘net’ if it has determined that the H3 requirement would be greater if it is based on the net loss arising from the occurrence of a single event, when compared to the gross loss arising from the occurrence of a single event.

**2.3.2 Single event loss from H3 event**

The single event loss from the H3 event is the gross or net loss from the occurrence of a single event, where that loss is not less than the whole-of-portfolio annual (gross/net) loss with a 10 per cent probability of occurrence.

**2.3.3 H3 reinsurance recoverables**

This item must only be reported if the insurer has selected ‘gross’ in Item 2.3.1.

H3 reinsurance recoverables are the level of potential reinsurance recoverables should there be the occurrence of three H3 losses over the catastrophe reinsurance program treaty year. H3 reinsurance recoverables must not include any amounts due from aggregate reinsurance cover.

Column 4 is automatically calculated as the sum of Columns 1 to 3.

**2.3.4 H3 aggregate offset**

H3 aggregate offset is the amount of potential reinsurance recoverables from aggregate reinsurance cover. The insurer must not allow for any reinstatements of aggregate reinsurance cover unless these have been contractually agreed with the reinsurer(s). If reinstatements are included, the cost of reinstatement must be netted from the offset. The insurer must agree with APRA a methodology for the determination of this adjustment.

This methodology may allow for any portion of paid and outstanding claims and premiums liabilities (PL) that contribute to the insurer’s retained losses for the purposes of the retention on any aggregate reinsurance cover, provided it does not result in a double-count between this offset and the PL offset.

Column 4 is automatically calculated as the sum of Columns 1 to 3.

**2.3.5 H3 reinstatement premiums**

H3 reinstatement premiums are applicable to insurers that write reinsurance and may receive inwards reinstatement premiums from cedants as a result of the events that give rise to three H3 losses. H3 reinstatement premiums must only be included in NP HR if the reinsurance contract specifically stipulates that offsetting with the cedant will occur at the time of the payment of the reinsurance claim.

Column 4 is automatically calculated as the sum of Columns 1 to 3.

**2.3.6 H3 reinstatement cost**

The insurer is not required to determine a H3 reinstatement cost after the third event.

NP reinstatement cost is the cost (if any) of reinstating catastrophe reinsurance cover after the occurrence of the first two H3 losses. The cost (if any) must reflect the cost of reinstating reinsurance cover up to the size of the third event. In determining this cost, if the insurer does not have contractually agreed rates for the reinsurance cover, the insurer must estimate the cost based on the reinsurance market conditions that would prevail after the occurrence of the events. The amount must not be less than the full original cost of the cover, with no deduction for the expiry of time since the inception of the reinsurance arrangements unless the insurer is able to demonstrate to APRA that the amount materially overstates the cost that would prevail in the market after the occurrence of the events.

Column 4 is automatically calculated as the sum of Columns 1 to 2.

**2.3.7 H3 loss per event**

The H3 loss per event is automatically calculated as Item 2.3.2 less Item 2.3.3 less Item 2.3.4 less Item 2.3.5 plus Item 2.3.6 (except for the third event). This is to be determined for each H3 event.

**2.4 H4 requirement**

The H4 requirement is automatically calculated as the total over the four events for Item 2.4.7.

**2.4.1 Basis for determination of H4 requirement**

The insurer must select ‘gross’ or ‘net’ from the drop-down box.

The insurer must select ‘gross’ if it has determined that the H4 requirement would be greater if it is based on the gross loss arising from the occurrence of a single event, when compared to the net loss arising from the occurrence of a single event.

The insurer must select ‘net’ if it has determined that the H4 requirement would be greater if it is based on the net loss arising from the occurrence of a single event, when compared to the gross loss arising from the occurrence of a single event.

**2.4.2 Single event loss from H4 event**

The single event loss from the H4 event is the gross or net loss from the occurrence of a single event, where that loss is not less than the whole-of-portfolio annual loss with a 16.7 per cent probability of occurrence.

**2.4.3 H4 reinsurance recoverables**

This item must only be reported if the insurer has selected ‘gross’ in Item 2.4.1.

H4 reinsurance recoverables are the level of potential reinsurance recoverables should there be the occurrence of four H4 losses over the catastrophe reinsurance program treaty year. H4 reinsurance recoverables must not include any amounts due from aggregate reinsurance cover.

Column 5 is automatically calculated as the sum of Columns 1 to 4.

**2.4.4 H4 aggregate offset**

H4 aggregate offset is the amount of potential reinsurance recoverables from aggregate reinsurance cover. The insurer must not allow for any reinstatements of aggregate reinsurance cover unless these have been contractually agreed with the reinsurer(s). If reinstatements are included, the cost of reinstatement must be netted from the offset. The insurer must agree with APRA a methodology for the determination of this adjustment.

This methodology may allow for any portion of paid and outstanding claims and PL that contribute to the insurer’s retained losses for the purposes of the retention on any aggregate reinsurance cover, provided it does not result in a double-count between this offset and the PL offset.

Column 5 is automatically calculated as the sum of Columns 1 to 4.

**2.4.5 H4 reinstatement premiums**

H4 reinstatement premiums are applicable to insurers that write reinsurance and may receive inwards reinstatement premiums from cedants as a result of the events that give rise to three H4 losses. H4 reinstatement premiums must only be included in NP HR if the reinsurance contract specifically stipulates that offsetting with the cedant will occur at the time of the payment of the reinsurance claim.

Column 5 is automatically calculated as the sum of Columns 1 to 4.

**2.4.6 H4 reinstatement cost**

The insurer is not required to determine a H4 reinstatement cost after the fourth event.

H4 reinstatement cost is the cost (if any) of reinstating catastrophe reinsurance cover after the occurrence of the first three H4 losses. The cost (if any) must reflect the cost of reinstating reinsurance cover up to the size of the fourth event. In determining this cost, if the insurer does not have contractually agreed rates for the reinsurance cover, the insurer must estimate the cost based on the reinsurance market conditions that would prevail after the occurrence of the events. The amount must not be less than the full original cost of the cover, with no deduction for the expiry of time since the inception of the reinsurance arrangements unless the insurer is able to demonstrate to APRA that the amount materially overstates the cost that would prevail in the market after the occurrence of the events.

Column 5 is automatically calculated as the sum of Columns 1 to 3.

**2.4.7 H4 loss per event**

The H4 loss per event is automatically calculated as Item 2.4.2 less Item 2.4.3 less Item 2.4.4 less Item 2.4.5 plus Item 2.4.6 (except for the fourth event). This is to be determined for each H4 event.

**2.5 PL offset**

PL offset is the portion of the premiums liability provision which relates to catastrophic losses (those that give rise to a relatively significant number of claims and occur no more frequently than every three months), as determined by the Appointed Actuary.

1. **Other accumulations vertical requirement (OA VR)**

The other accumulations vertical requirement (OA VR) is automatically calculated as Item 3.1 less Item 3.2 less Item 3.3 plus Item 3.4.

**3.1 OA PML**

OA PML is the gross loss arising from the occurrence of a single event, such that the size of the loss has 0.5 per cent probability of occurrence. An insurer with exposures to accumulations of losses arising from a common dependent source or non-natural perils must determine OA PML.

**3.2 Less: PL adjustment to OA PML**

The insurer may reduce the OA PML for any losses included in the other accumulation scenario that is already specifically allowed for in the premiums liabilities of the insurer.

**3.3 Less: OA reinsurance recoverables**

OA reinsurance recoverables is the level of potential reinsurance recoverables should there be occurrence of OA PML. This amount may include any amounts from aggregate reinsurance cover if the cover has reached its attachment point, or will as a result of OA PML.

The reinsurance recoverables can then be applied until the cover has been exhausted by claims by the insurer or the date that the aggregate reinsurance treaty expires, whichever occurs first.

**3.4 Add: OA reinstatement cost**

OA reinstatement cost is the cost (if any) of reinstating all catastrophe reinsurance cover relating to OA reinsurance recoverables. In determining this cost, if the insurer does not have contractually agreed rates for the reinsurance cover, the insurer must estimate the cost based on the current reinsurance market conditions. The amount must not be less than the full original cost of the cover with no deduction for the expiry of time since the inception of the reinsurance arrangements unless the insurer is able to demonstrate to APRA that the amount materially overstates the cost that would prevail.

1. **LMI Concentration Risk Charge**

This is automatically derived from Item 2.9 of *GRF 116.4* *LMI Concentration Risk Charge*.

1. **Adjustments to Insurance Concentration Risk Charge**

If APRA is of the view that the Standard Method for calculating the ICRC 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 ICRC, APRA may adjust the ICRC calculation for that reporting insurer.

Approved adjustments are to be reported separately in the associated table highlighting the description of the adjustment given, transitional status and amount of adjustment applied. An increase in the risk charge is to be reported as a positive amount.

This is calculated automatically as the sum of Column 3.

1. **Insurance Concentration Risk Charge**

This is automatically calculated as the greatest of Items 1 to 4, plus Item 5.