

**Financial Sector (Collection of Data) (reporting standard) determination No. 13 of 2025**

**Reporting Standard GRS 116.1 Probable Maximum Loss for LMIs**

*Financial Sector (*Collection *of Data) Act 2001*

I, Andrew Robertson, 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. 30 of 2014, including *Reporting Standard GRS 116.1 Probable Maximum Loss for LMIs* made under that Determination; and
2. determine *Reporting Standard GRS 116.1 Probable Maximum Loss for LMIs,* in the form set out in the Schedule, which applies to the financial sector entities to the extent provided in paragraph 3 of that reporting standard.

Under section 15 of the Act, I declare that *Reporting Standard GRS 116.1 Probable Maximum Loss for LMIs* shall begin to apply to those financial sector entities, and the revoked reporting standard shall cease to apply, on the day after this instrumentis registered on the Federal Register of Legislation.

This instrument commences at the start of the day after the day it is registered on the Federal Register of Legislation.

Dated: 6 March 2025

Andrew Robertson

General Manager - Chief Data Officer

Technology and Data Division

**Interpretation**

In this Determination:

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

***Federal Register of Legislation*** means the register established under section 15A of the *Legislation Act 2003.*

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

**Schedule**

*Reporting Standard GRS 116.1 Probable Maximum Loss for LMIs* comprises the document commencing on the following page.

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**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**

* 1. 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**

* 1. This Reporting Standard applies to all general insurers authorised under the *Insurance Act 1973* (insurers) that are lenders mortgage insurers under paragraph 8 of *Prudential Standard CPS 001 Defined terms (CPS001)*. This Reporting Standard applies for reporting periods ending on or after 1 April 2025.

**Information required**

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

**Forms and 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

(b) 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 using an electronic format 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 using an electronic format 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 the GRF 116.1 seriesin relation to that insurer.

**Transition**

* 1. An insurer to which the Reporting Standard applies must report under the old reporting standard in respect of a transitional reporting period. For these purposes:

***old reporting standard*** means the reporting standard revoked in the determination making this Reporting Standard; and

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

1. that ended before the date of revocation; and
2. 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**

* 1. In this Reporting Standard (including the attachments):
1. unless the contrary intention appears, words and expressions have the meanings given to them in (CPS 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;

***capital standards*** means the prudential standards which relate to capital adequacy as defined in CPS 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 (b) or, if applicable, paragraph 7.

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| **GRF\_116\_1: Probable Maximum Loss for LMIs - Standard Loans** |

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

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| **Section 1: ADI** |

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| --- |
| **1.1. 100 per cent and top cover** |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **LVR greater than (%)** | **LVR less than or equal to (%)** | **Coverage proportion (%)** | **Age** | **Total sum insured** | **PD factor** | **LGD factor****(100% cover)** | **LGD factor****(top cover)** | **PML** |
| **< 3 years** | **3 < 5 years** | **5 < 10 years** | **>= 10 years** |
| **(1)** | **(2)** | **(3)** | **(4.1)** | **(4.2)** | **(4.3)** | **(4.4)** | **(5)** | **(6)** | **(7)** | **(8)** | **(9)** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| 100 |  | 100 |  |  |  |  |  |  |  |  |  |
| 95 |  | 40 |  |  |  |  |  |  |  |  |  |
| 90 |  | 35 |  |  |  |  |  |  |  |  |  |
| 85 |  | 30 |  |  |  |  |  |  |  |  |  |
| 80 |  | 25 |  |  |  |  |  |  |  |  |  |
| 70 |  | 20 |  |  |  |  |  |  |  |  |  |
| 60 |  |  |  |  |  |  |  |  |  |  |  |
| 0 |  |  |  |  |  |  |  |  |  |  |  |
| Total |  |  |  |  |  |  |  |  |  |

|  |
| --- |
| **1.2. Pool cover** |

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

|  |
| --- |
| **Section 2: Non-APRA regulated** |

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| --- |
| **2.1. 100 per cent and top cover** |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **LVR greater than (%)** | **LVR less than or equal to (%)** | **Coverage proportion (%)** | **Age** | **Total sum insured** | **PD factor** | **LGD factor****(100% cover)** | **LGD factor****(top cover)** | **PML** |
| **< 3 years** | **3 < 5 years** | **5 < 10 years** | **>= 10 years** |
| **(1)** | **(2)** | **(3)** | **(4.1)** | **(4.2)** | **(4.3)** | **(4.4)** | **(5)** | **(6)** | **(7)** | **(8)** | **(9)** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| 100 |  | 100 |  |  |  |  |  |  |  |  |  |
| 95 |  | 40 |  |  |  |  |  |  |  |  |  |
| 90 |  | 35 |  |  |  |  |  |  |  |  |  |
| 85 |  | 30 |  |  |  |  |  |  |  |  |  |
| 80 |  | 25 |  |  |  |  |  |  |  |  |  |
| 70 |  | 20 |  |  |  |  |  |  |  |  |  |
| 60 |  |  |  |  |  |  |  |  |  |  |  |
| 0 |  |  |  |  |  |  |  |  |  |  |  |
| Total |  |  |  |  |  |  |  |  |  |

|  |
| --- |
| **2.2. Pool cover** |

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

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| **GRF\_116\_2: Probable Maximum Loss for LMIs - Non-Standard Loans** |

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

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| 1. **1. ADI**
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| * 1. **1.1. 100 per cent and top cover**
 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **LVR greater than (%)** | **LVR less than or equal to (%)** | **Coverage proportion (%)** | **Age** | **Total sum insured** | **PD factor** | **LGD factor****(100% cover)** | **LGD factor****(top cover)** | **PML** |
| **< 3 years** | **3 < 5 years** | **5 < 10 years** | **>= 10 years** |
| **(1)** | **(2)** | **(3)** | **(4.1)** | **(4.2)** | **(4.3)** | **(4.4)** | **(5)** | **(6)** | **(7)** | **(8)** | **(9)** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| 100 |  | 100 |  |  |  |  |  |  |  |  |  |
| 95 |  | 40 |  |  |  |  |  |  |  |  |  |
| 90 |  | 35 |  |  |  |  |  |  |  |  |  |
| 85 |  | 30 |  |  |  |  |  |  |  |  |  |
| 80 |  | 25 |  |  |  |  |  |  |  |  |  |
| 70 |  | 20 |  |  |  |  |  |  |  |  |  |
| 60 |  |  |  |  |  |  |  |  |  |  |  |
| 0 |  |  |  |  |  |  |  |  |  |  |  |
| Total |  |  |  |  |  |  |  |  |  |

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| --- |
| * 1. **1.2. Pool cover**
 |

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

|  |
| --- |
| 1. **2. Non-APRA regulated**
 |

|  |
| --- |
| * 1. **2.1. 100 per cent and top cover**
 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **LVR greater than (%)** | **LVR less than or equal to (%)** | **Coverage proportion (%)** | **Age** | **Total sum insured** | **PD factor** | **LGD factor****(100% cover)** | **LGD factor****(top cover)** | **PML** |
| **< 3 years** | **3 < 5 years** | **5 < 10 years** | **>= 10 years** |
| **(1)** | **(2)** | **(3)** | **(4.1)** | **(4.2)** | **(4.3)** | **(4.4)** | **(5)** | **(6)** | **(7)** | **(8)** | **(9)** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| 100 |  | 100 |  |  |  |  |  |  |  |  |  |
| 95 |  | 40 |  |  |  |  |  |  |  |  |  |
| 90 |  | 35 |  |  |  |  |  |  |  |  |  |
| 85 |  | 30 |  |  |  |  |  |  |  |  |  |
| 80 |  | 25 |  |  |  |  |  |  |  |  |  |
| 70 |  | 20 |  |  |  |  |  |  |  |  |  |
| 60 |  |  |  |  |  |  |  |  |  |  |  |
| 0 |  |  |  |  |  |  |  |  |  |  |  |
| Total |  |  |  |  |  |  |  |  |  |

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| --- |
| * 1. **2.2. Pool cover**
 |

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

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| **GRF\_116\_3: Probable Maximum Loss for LMIs - Commercial Loans** |

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

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

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| **GRF\_116\_4: LMI Concentration Risk Charge** |

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

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| --- |
| 1. **1. Summary**
 |

|  |  |  |
| --- | --- | --- |
|  | **Sum insured** | **PML** |
| * 1. **1.1 Standard loans**
 |  |  |
| * + - * 1. 1.1.1. ADI - 100 per cent and top cover
 |  |  |
| * + - * 1. 1.1.2. ADI - pool cover
 |  |  |
| * + - * 1. 1.1.3. Non-APRA regulated - 100 per cent and top cover
 |  |  |
| * + - * 1. 1.1.4. Non-APRA regulated - pool cover
 |  |  |
| * 1. **1.2. Non-standard loans**
 |  |  |
| * + - * 1. 1.2.1. ADI - 100 per cent and top cover
 |  |  |
| * + - * 1. 1.2.2. ADI - pool cover
 |  |  |
| * + - * 1. 1.2.3. Non-APRA regulated - 100 per cent and top cover
 |  |  |
| * + - * 1. 1.2.4. Non-APRA regulated - pool cover
 |  |  |
| * 1. **1.3 Commercial loans**
 |  |  |
| * + - * 1. 1.3.1. ADI
 |  |  |
| * + - * 1. 1.3.2. Non-APRA regulated
 |  |  |
| * 1. **1.4. Total**
 |  |  |
| 1. **2. LMI Concentration Risk Charge (LMICRC) calculation**
 |

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

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| **GRF\_116\_5: Probable Maximum Loss for LMIs - Additional Information** |

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

|  |
| --- |
| **Section 1: Inwards reinsurance** |

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| * 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)** |
|  |  |  |  |  |  |  |  |  |  |
| 100 |  | 100 |  |  |  |  |  |  |  |
| 95 |  | 40 |  |  |  |  |  |  |  |
| 90 |  | 35 |  |  |  |  |  |  |  |
| 85 |  | 30 |  |  |  |  |  |  |  |
| 80 |  | 25 |  |  |  |  |  |  |  |
| 70 |  | 20 |  |  |  |  |  |  |  |
| 60 |  |  |  |  |  |  |  |  |  |
| 0 |  |  |  |  |  |  |  |  |  |
| Total |  |  |  |  |  |  |  |
| *Of which: non-APRA regulated* |  |  |  |  |  |  |  |
| *Of which: non-standard loans*  |  |  |  |  |  |  |  |

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| --- |
| * 1. **Standard and non-standard loans - pool cover**
 |

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

|  |
| --- |
| * 1. **Commercial loans**
 |

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

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| --- |
| * 1. **Total inwards reinsurance**
 |

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

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| **Section 2: Large liability exposures by originator** |

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

1. **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.

1. **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."

1. **< 3 years**
2. **3 < 5 years**
3. **5 < 10 years**
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.

1. **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.

1. **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.

1. **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.

1. **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%.

1. **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.

1. **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.

1. **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.

1. **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.

1. **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.

1. **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.

1. **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.

1. **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.

1. **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.

1. **< 3 years**
2. **3 < 5 years**
3. **5 < 10 years**
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.

1. **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.

1. **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.

1. **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.

1. **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%.

1. **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.

1. **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.

1. **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.

1. **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.

1. **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.

1. **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.

1. **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%.

1. **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).

1. **Non-APRA regulated**

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

1. **Total sum insured**

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

1. **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**

1. **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. **Standard loans**

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

* + 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. **ADI - pool cover**

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

* + 1. **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. **Non-APRA regulated - pool cover**

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

* 1. **Non-standard loans**

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

* + 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. **ADI - pool cover**

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

* + 1. **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. **Non-APRA regulated - pool cover**

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

* 1. **Commercial loans**

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

* + 1. **ADI**

This amount is automatically derived from GRF 116.3.

* + 1. **Non-APRA regulated**

This amount is automatically derived from GRF 116.3.

* 1. **Total**

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

1. **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.

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.

1. **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.

1. **Adjusted PML**

This is automatically calculated as Item 2.1 less Item 2.2.

1. **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.

1. **Allowable reinsurance**

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

1. **PML net of reinsurance**

This is automatically calculated as Item 2.3 less Item 2.5.

1. **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.

1. **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.

1. **LMI Concentration Risk Charge**

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

1. **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