



# Reporting Standard HRS 118.0

## Operational Risk Charge

### Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA relating to a private health insurer's Operational Risk Charge.

It includes associated specific instructions and must be read in conjunction with *Prudential Standard HPS 118 Capital Adequacy: Operational Risk Charge*.

#### Authority

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

#### Purpose

2. The information reported to APRA under this Reporting Standard is used by APRA for the purpose of prudential supervision including assessing compliance with capital standards.

#### Application and commencement

3. This Reporting Standard applies to all private health insurers. This Reporting Standard applies for reporting periods ending on or after 1 July 2023.

#### Information required

4. A private health insurer must provide APRA with the information required by this Reporting Standard for each reporting period.
5. The information required by this Reporting Standard must be provided, as relevant, for:
  - (a) each health benefits fund of the private health insurer; and
  - (b) the general fund of the private health insurer.

#### Method of submission

6. The information required by this Reporting Standard must be given to APRA:

- (a) in electronic format using an electronic method available on APRA's website; or
- (b) by a method notified by APRA prior to submission.

### **Reporting periods and due dates**

7. Subject to paragraph 8, a private health insurer must provide the information required by this Reporting Standard:
  - (a) in respect of each calendar quarter (i.e. the periods ending 30 September, 31 December, 31 March and 30 June); and
  - (b) in respect of each year ending 30 June.
8. If, having regard to the particular circumstances of a private health insurer, APRA considers it necessary or desirable to obtain information more or less frequently than as provided by subparagraph 7(a) or 7(b), APRA may, by notice in writing, change the reporting periods, or specify reporting periods, for the particular private health insurer.
9. The information required by this Reporting Standard must be provided to APRA:
  - (a) in the case of quarterly information, within 28 calendar days after the end of the reporting period to which the information relates;
  - (b) in the case of annual information, by 30 September each year; or
  - (c) in the case of information provided in accordance with paragraph 8, within the time specified by notice in writing.
10. APRA may, in writing, grant a private health insurer an extension of a due date, in which case the new due date will be the date on the notice of extension.

*Note:* For the avoidance of doubt, if the due date for a particular reporting period falls on a day other than a usual business day, a private health insurer is nonetheless required to submit the information required no later than the due date.

### **Quality control**

11. All information provided by a private health insurer under this Reporting Standard must be subject to systems, processes and controls developed by the private health insurer for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the private health insurer to ensure that an appropriate set of policies and procedures for the authorisation of information submitted to APRA is in place.

### **Annual audit requirements**

12. By 30 September each year, a private health insurer must give to APRA an auditor's report relating to:
  - (a) the information provided by the private health insurer under this Reporting Standard for each quarter in the year ending 30 June of that year; or

- (b) if the private health insurer provides an amended quarterly return to replace a return referred to in paragraph (a) — the amended quarterly return.
13. The auditor providing the report to a private health insurer must not be an Officer of, or employed by, the private health insurer.
  14. For the purposes of paragraph 12, the auditor's report must be addressed to APRA and must set out the auditor's opinion as to whether:
    - (a) the records for the health benefits fund and general fund contain the information required to be kept by this Reporting Standard and the *Private Health Insurance Risk Equalisation (Administration) Rules 2015*;
    - (b) the submitted information for the purposes of this Reporting Standard, accurately reflects the information contained in the records of the health benefits fund and general fund; and
    - (c) the records of the health benefits fund and general fund have been accurately compiled so as to permit the private health insurer to fairly state the information required by this Reporting Standard.
  15. If a private health insurer received a qualified auditor's report for a health benefits fund or the general fund for the year previous to the year for which the report is provided, the report for the year for which the report is provided must state whether the auditor has examined the issues identified and is satisfied that the private health insurer has taken the appropriate steps to rectify the matters raised in the previous report.
  16. The auditor's report must:
    - (a) state details of the program adopted to carry out the audit; and
    - (b) include the name of, and be signed by, the auditor who takes responsibility for the accuracy of the report.

## Authorisation

17. A person who submits the information required under this Reporting Standard must be suitably authorised by an officer of the private health insurer.

## Variations

18. APRA may, in writing, vary the reporting requirements of this Reporting Standard in relation to a private health insurer.

## Interpretation

19. In this Reporting Standard:
  - (a) unless the contrary intention appears, words and expressions have the meanings given to them in *Prudential Standard HPS 001 Definitions* (HPS 001); and
  - (b) the following definitions are applicable:

**APRA** means the Australian Prudential Regulation Authority established under the *Australian Prudential Regulation Authority Act 1998*;

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

**fund** means each health benefits fund and the general fund, unless otherwise noted;

**officer** has the meaning in the *Private Health Insurance (Prudential Supervision) Act 2015*;

**private health insurer** has the meaning in the *Private Health Insurance (Prudential Supervision) Act 2015*; and

**reporting period** means a period mentioned in paragraph 7 or, if applicable, paragraph 8.

20. Unless the contrary intention appears, a reference to an Act, Prudential Standard, Reporting Standard, Australian Accounting or Auditing Standard is a reference to the instrument as in force from time to time.

# Reporting Standard HRS 118.0

## Operational Risk Charge

### General instructions

#### Reporting tables

Tables described in this reporting form list each of the data fields required to be reported. The data fields are listed sequentially in the column order that they will appear in the reported data set. Constraints on the data that can be reported for each field have also been provided.

Any specific combination of values in the table must not appear on more than one row in that table when reported.

#### Definitions

Terms highlighted in ***bold italics*** indicate that the definition is provided in these instructions.

#### A

<b><i>Adjustments to Operational Risk Charge as approved by APRA</i></b>	<p>If APRA is of the view that the <b><i>Operational Risk Charge</i></b> component of the prescribed capital amount does not produce an appropriate outcome in respect of a fund, or a reporting private health insurer has used inappropriate judgement or estimation in calculating the <b><i>Operational Risk Charge</i></b> of a fund, APRA may adjust the <b><i>Operational Risk Charge</i></b> calculation for that fund.</p> <p>Approved adjustments are to be reported separately in the <i>Reporting Standard HRS 111.0 Adjustments and Exclusions</i> highlighting the description of the adjustment given, transitional status and amount of adjustment applied. An increase in the risk charge is to be reported as a positive amount.</p>
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#### O

<b><i>ORC</i></b>	This is a derived item and is calculated using the formula in accordance with HPS 118.
<b><i>ORC - Central estimate of insurance liabilities</i></b>	This is the value of the central estimate component of insurance liabilities, determined in accordance with <i>Prudential Standard HPS 340 Insurance Liability Valuation</i> (HPS 340).
<b><i>ORC - Accrued premium for the 12 months ending on the date 12 months prior to the reporting date</i></b>	<p>This is the total accrued premium (gross of reinsurance), for the period of 12 months ending on the date that is 12 months prior to the reporting date.</p> <p>Accrued premium is defined in HPS 001.</p>

<b><i>ORC – Accrued premium for the 12 months ending on the reporting date</i></b>	<p>This is the total accrued premium (gross of reinsurance), for the period of 12 months ending on the reporting date.</p> <p>Accrued premium is defined in HPS 001.</p>
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**T**

<b><i>Total Operational Risk Charge</i></b>	<p>This is the minimum amount of capital a fund must hold against the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This is calculated in accordance with HPS 118.</p> <p>It is calculated as the sum of:</p> <ul style="list-style-type: none"><li>• <b><i>ORC</i></b>; and</li><li>• <b><i>Adjustments to Operational Risk Charge as approved by APRA.</i></b></li></ul>
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## Specific instructions

### Reporting basis

Report items relating to ***Operational Risk Charge*** for each health benefits fund and the general fund.

Report all items gross of any associated outwards reinsurance expense.

### Units of measurement

This values in this table must be completed in whole Australian dollars.

**Table 1: Operational Risk Charge**

<b>Column 1</b>	Report the value for each of the items listed below.
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### 1. Operational Risk Charge (ORC)

<b>Item 1</b>	The <b><i>ORC</i></b> is a derived item and is calculated using the formula in accordance with HPS 118.
<b>Item 1.1</b>	Report the <b><i>ORC - Accrued premium for the 12 months ending on the reporting date.</i></b>
<b>Item 1.2</b>	Report the <b><i>ORC - Accrued premium for the 12 months ending on the date 12 months prior to the reporting date.</i></b>
<b>Item 1.3</b>	Report the <b><i>ORC - Central estimate of insurance liabilities.</i></b>

### 2. Adjustments to Operational Risk Charge as approved by APRA

<b>Item 2</b>	<p>The <b><i>adjustments to Operational Risk Charge as approved by APRA</i></b> is a derived field reported separately in the associated table highlighting the description of the adjustment given, transitional status and amount of adjustment applied.</p> <p>An increase in the risk charge is to be reported as a positive amount.</p>
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### 3. Total Operational Risk Charge

<b>Item 3</b>	<p>The <b><i>total Operational Risk Charge</i></b> is a derived field and is calculated as the sum of:</p> <ul style="list-style-type: none"> <li>• <b><i>ORC</i></b>; and</li> <li>• <b><i>Adjustments to Operational Risk Charge as approved by APRA.</i></b></li> </ul>
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