

Reporting Form HRF 602.0 series

Financial and Capital Data

Explanatory notes

The HRF 602.0 series collects data for three main purposes:

- to enable APRA to compile industry statistics that are released both publicly and to the industry;
- to monitor compliance with the Capital Adequacy and Solvency Standards; and
- to enable APRA to monitor key financial risks to health insurers.

The HRF 602.0 series includes a cover page and nine other reporting forms that collect financial and capital data. These reporting forms are:

- *HRF 602.0 Financial and Capital Data - Cover page* (HRF 602.0);
- *HRF 602.1 Financial and Capital Data – CA Forecasts* (HRF 602.1);
- *HRF 602.2 Financial and Capital Data – Solvency Forecasts* (HRF 602.2);
- *HRF 602.3 Financial and Capital Data - Revenue* (HRF 602.3);
- *HRF 602.4 Financial and Capital Data - Expenses* (HRF 602.4);
- *HRF 602.5 Financial and Capital Data – Capital Transfers* (HRF 602.5);
- *HRF 602.6 Financial and Capital Data - Assets* (HRF 602.6);
- *HRF 602.7 Financial and Capital Data - Liabilities* (HRF 602.7);
- *HRF 602.8 Financial and Capital Data – Related Party Disclosures* (HRF 602.8); and
- *HRF 602.9 Financial and Capital Data – Claims Data* (HRF 602.9).

The HRF 602.0 series has been designed to collect enough information to form a Profit and Loss statement and a Balance Sheet. In particular, data recorded in HRF 602.3, HRF 602.4 and HRF 602.5 must fully reconcile with any movements in the HRF 602.6 and HRF 602.7 from the previous submission.

HRF 602.1 and HRF 602.2 enable APRA to determine if the health insurer has complied with the rules and prudential standards.

The remaining reporting forms (HRF 602.8 and HRF 602.9) give additional risk information.

No explicit sign-off is necessary, as the submission itself will be treated as constituting sign-off.

Broad structure of HRF 602.0 series

The HRF 602.0 series reporting forms are presented as an Excel file or XML-coded template. The Excel template contains specific cell placements and the XML template specific line structure which record data. There must be no locks or passwords over the cells, structure or template. Health insurers must not amend the structure (e.g. row or column insertion) or format (e.g. changing format to Excel Binary being *.xlsb) of the Excel file or XML template.

Within each reporting form of the HRF 602.0 series are Sections. Specific details on the purpose of each Section are outlined in these reporting instructions.

In columns where text descriptions are required, entries of the form ‘OtherX’ have been inserted into the template. As a default, these should be left unaltered, even where there are no corresponding entries in the same row.

Basis of reporting

HRF 602.1, HRF 602.3, HRF 602.4, HRF 602.5 and HRF 602.8 must all be completed on an incurred basis.

HRF 602.2 and HRF 602.9 must be completed on a cash flow basis.

In accordance with the Rules and unless indicated otherwise, any amount or value that is required in the completion of the HRF 602.0 series must be calculated in accordance with the accounting standards as issued by the Australian Accounting Standards Board, including but not limited to AASB 124, AASB 137, AASB 139, and AASB 1023.

Units of measurement

All financial values, quantities and percentages must be reported to no more than two decimal places.

Financial values must be reported in Australian dollars.

Unless specified otherwise, the format of date input must be dd/mm/yyyy (e.g. 31/03/2014).

HRF 602.0 Financial and Capital Data – Cover Page

Explanatory Notes

Purpose

HRF 602.0 collects details about the health benefits fund and the period to which the submission relates.

Instructions for specific items

Data required

Term	Instruction/comment
Period ended	The date at the end of the period for which the return reports on. Must be in mmm-yy date format (e.g. Mar-14).
Period length	Must be either option: <ul style="list-style-type: none"> • Quarterly • Annual
Contact details	These details should provide APRA with the best contact if there are any queries with respect to the information provided in the return. The contact person need not be an Officer of the private health insurer, but should be knowledgeable in the contents of the return and available to be contacted by APRA following submission.

HRF 602.1 Financial and Capital Data – CA Forecasts

Explanatory Notes

This reporting form consists of two Sections:

- Section 1: Central estimates; and
- Section 2: Stressed estimates.

Purpose

The primary purpose for this reporting form is to provide APRA with the data necessary to calculate the stress test amount in *Prudential Standard HPS 110 Capital Adequacy* (HPS 110). As such, all of the terms in the HPS 110 for the stress test amount are calculable from the values entered in this reporting form (see below).

The disclosure in this reporting form also gives important information on insurance risk in the health benefits fund. For example, changes in growth can lead to significant changes in the risk profile of a health insurer, as well as being known to significantly impact gross margins because of the impact from waiting periods. As such, the forecasts relating to new and terminated policies in Section 1 can provide important information about potential changes to underwriting margins and insurance risk.

Similarly, some central estimate forecasts and the reporting of forecasts at each month during the next 12 month period are not directly needed to assess compliance with HPS 110. They do, however, provide important contextual information on the nature of the stress test amount: how it might play out over the period, and how different to central estimate outcomes it could be.

Instructions for specific items

Section 1: Central Estimates

Term	Instruction/comment
Central estimate	This means an estimate of the mean of the range of possible outcomes. The health insurer must choose its own methodology, assumptions and data in order to determine the central estimates.
Next/2 nd /3 rd /4 th quarter in the future	Central estimate forecasts in the first table must be provided for each of the next four quarters starting from the reporting date.
New HIB policy	A new Health Insurance Business (HIB) policy, in force at the end of the quarter, where none of the policy holders held a policy with the health insurer at the start of the quarter.
New HIB policy, transfers	A new HIB policy where at least one policy holder of a policy would be expected to have a transfer certificate.
New HIB policy, new to PHI	A new HIB policy which is not a 'new HIB policy, transfers'.

Terminated policies	<p>The number of policies given by the equation: $= [\text{Policies in force at start of quarter}] - [\text{Policies in force at end of quarter}] + [\text{New policies}]$</p> <p>Where possible, actuals are to be used as a start point when calculating terminated policies for the next quarter in the future. For subsequent quarters, forecasts for the start and end of that quarter are to be used.</p>
Average monthly premium rate	<p>For new policies, this is the average premium rate for those policies at the points in the forecast quarter where they first become in force.</p> <p>For terminated policies, this is the average premium rate for those policies immediately before the points in the forecast quarter where they first stop being in force.</p>
Months 1 to 12	Central estimate forecasts in the second table must be provided for each of the next 12 months starting from the reporting date.
Hospital SEUs	These are single equivalent units (SEUs) as defined in Part 1, Rule 4 of the <i>Private Health Insurance (Risk Equalisation Policy) Rules 2007</i> . Persons with general treatment only do not contribute to the total hospital SEUs.
HIB Premium increase assumed...	<p>The calculation of the HIB premium increase must be consistent with the pricing methodology prescribed in the approved form under section 66-10 of the <i>Private Health Insurance Act 2007 (PHI Act)</i>. Currently, this formula is:</p> $\frac{(\text{FCI with premium changes} - \text{FCI without premium changes})}{\text{FCI without premium changes}}$ <p>where FCI is the forecast contribution income for the health insurer for the 12 month period following the implementation of the changes, excluding forecast changes in membership, and excluding rate protection.</p> <p>Enter the assumed premium increase that would apply in the relevant month after the projection date (and only enter it in that month).</p>
...given the STAC	The Stress Test Assumptions Constraint (STAC) is 'determined in accordance with the methodology published by APRA, as amended from time to time' (taken from the definition of <i>premium income estimate</i> in HPS 110).
HIB Contribution income, given premium increase subject to the STAC	This row should sum to the <i>premium income estimate</i> (as defined in HPS 110).
HRB Income	This is a central estimate of the gross revenue earned by the health benefits fund in relation to its health-related business (HRB).

	This row, plus the HIB Contribution income, given premium increase subject to the STAC row, should sum to the health business revenue estimate (as defined in <i>Prudential Standard HPS 001 Definitions</i> (HPS 001)).
Margin (HIB Gross, HIB Net, Investment Income, HRB and other income)	These are all measures of profit, in the relevant month, as a percentage of HIB Contribution income, given premium increase subject to the STAC, in that month.

Section 2: Stressed estimates

Term	Instruction/comment
Xth percentile	This is the <i>xth percentile</i> (as defined in the Rules) and must be less than 50 per cent. Health insurers should exercise care to ensure the wrong side of the distribution is not selected.
HIB Net margin (%)	This is the monthly margin (as a percentage of HIB Contribution income, given premium increase subject to the STAC) that achieves NM% over the year.
NM%	This quantity is defined in the definition of <i>stressed net margin estimate</i> in HPS 110.
Investment income margin (%)	This is the monthly margin (as a percentage of HIB Contribution income, given premium increase subject to the STAC) that achieves the <i>stressed investment income estimate</i> (as defined in HPS 110) over the year.
Stressed Investment Income Estimate	This is the <i>stressed investment income estimate</i> as defined in HPS 110. Note that a negative value must be entered where stressed losses are expected.
HRB and other income margin (%)	This is the monthly margin (as a percentage of HIB Contribution income, given premium increase subject to the STAC) that achieves the <i>stressed other income estimate</i> (as defined in HPS 110) over the year.
Stressed Other Income Estimate	This is the quantity <i>stressed other income estimate</i> as defined in HPS 110. Note that a negative value must be entered where stressed losses are expected.
Tax (%)	This is the monthly tax payment (as a percentage of HIB Contribution income, given premium increase subject to the STAC) that achieves the Tax (\$). It is not the tax <i>rate</i> (currently 30 per cent for for-profit insurers).
Tax (\$)	This is the quantity <i>T</i> defined in the definition of <i>stress test amount</i> in HPS 110. Note that a negative value must be entered where tax credits resulting from stressed losses are expected.

Note that, to verify that values have been reported with the correct sign, the stress test amount in HPS 110 must be the sum of:

- the negative of the stressed net margin estimate;
- the negative of the stressed investment income estimate;
- the negative of the stressed other income estimate; and
- *T* (tax).

HRF 602.2 Financial and Capital Data – Solvency Forecasts

This reporting form consists of only one Section, the cash flow projections.

Purpose

The primary purpose for this reporting form is to provide APRA with the data necessary to calculate the *cash management amount* under *Prudential Standard HPS 100 Solvency Standard* (HPS 100).

The other information contained in this reporting form gives important information on liquidity risk in the health benefits fund. The central estimate forecasts of cash flows in the next 30 days put the stressed net cash outflow in context, and the projections out to 90 days give an indication of likely compliance with HPS 100 until the next reporting date.

In contrast to reporting forms HRF 602.3, HRF 602.4 and HRF 602.5 (which are on an earned/incurred basis), this reporting form is on a cash flow basis.

Instructions for specific items

Section 1: Cash flow projections

Term	Instruction/comment
Central estimate net cash outflows	These forecasts must relate to cash flows as committed on the reporting date. Discretionary cash flows are any cash flow where no binding agreement for the sale/transfer has been made. This may therefore include expected or unannounced dividend payments and cash flows resulting from the sale or purchase of assets.
Stressed Net Cash Outflow Amount	This is the <i>stressed net cash outflow amount</i> as defined in HPS 100.

HRF 602.3 Financial and Capital Data – Revenue

Explanatory Notes

Content

The Revenue worksheet consists of three Sections:

- Section 1: Insurance Revenue;
- Section 2: Other Business Revenue; and
- Section 3: Net Investment Income.

Purpose

This reporting form contains details of revenue and income of the health benefits fund with segregation between key areas. Its primary purpose is to provide APRA with revenue data.

In addition, data on discounts and promotions provides important information for APRA to understand the risks to insurance premiums.

The revenue worksheet provides data necessary for compiling a Profit and Loss statement. In particular, when combined with data collected in HRF 602.4 and HRF 602.5, it can reconcile the changes in the Balance Sheet (data collected in HRF 602.6 and HRF 602.7) since the previous submission.

HIB premium revenue

The sum of the values in Section 1a will give the total HIB premium revenue during the relevant reporting period.

Sections which do not contribute towards total fund revenue

Section 1c (discounts and promotions) does not contribute towards the total fund revenue (which is reported net of these values), and nor do the descriptions in Section 2b.

Column E of Section 2 (HRB non-insurance revenue record as health fund benefits) does not contribute towards total fund revenue since it is an intra-fund transfer.

Instructions for specific items

Section 1: Insurance Revenue

Term	Instruction/comment
Revenue	The recognition criteria of AASB 1023 (and AASB 139 where appropriate) are to be applied for the purpose of attributing revenue amounts to this reporting form (i.e. revenue must be determined by application of the relevant Australian accounting standards).
HIB premium revenue	As per AASB 1023, this means the premium payable by the policy holder, and is net of discounts and promotions, but gross of any commissions/fees taken by intermediaries.
Split by state or territory	This is based on the principal place of residence of the insured persons.
Split by hospital treatment/general treatment and ambulance	Premium must be split by services covered. For example, premium revenues on products termed 'hospital only', but that offer elements of general treatment, must be apportioned appropriately between the two categories. Hospital treatment and general treatment are defined under sections 121-5 and 121-10 of the <i>Private Health Insurance Act 2007</i> respectively.
HRB premium revenue	HRB premium revenue is premium revenue earned from non-HIB insurance activities and within the meaning of HRB as

	<p>defined under section 131-15 of the <i>Private Health Insurance Act 2007</i>.</p> <p>In column D, HRB premium revenues must be gross of:</p> <ul style="list-style-type: none"> any reinsurance arrangements whereby premium is ceded to a reinsurer; and brokerage fees or commissions paid in respect of policies covered.
OVC	<p>Premium revenue earned for overseas visitors cover (OVC) is the total HRB premium revenue earned less any overseas student health cover (OSHC) premium revenue earned.</p> <p>It must equal the premiums earned from certain overseas visitors and specified temporary visa holder health insurance contracts as defined in the <i>Private Health Insurance (Health Insurance Business) Rules 2013</i>.</p>
OSHC	<p>Premium revenue earned for overseas students health insurance contracts, as defined in the <i>Private Health Insurance (Health Insurance Business) Rules 2013</i>.</p>
Discount	<p>The value of the effects on the earned HIB premium (as recognised in Section 1a by discounts which are intended to be offered on an ongoing basis and/or to persons who have already purchased a policy. An example would be offering a discount for all policy holders paying electronically.</p> <p>These discounts must comply with the <i>Private Health Insurance (Complying Product) Rules 2010</i>.</p>
Promotion	<p>The value of the effects on the earned HIB premium (as recognised in Section 1a by promotions which are offered to a person at the time the person first purchases a policy. An example would be offering a free period of cover to a new member.</p> <p>These promotions must comply with the <i>Private Health Insurance (Complying Product) Rules 2010</i>.</p>

Section 2: Other Business Revenue

Term	Instruction/comment
From external sources	<p>This means all HRB non-insurance revenue that is earned from outside the health benefits fund. It therefore includes:</p> <ul style="list-style-type: none"> revenue from non-policy holders of the health benefits fund; revenue to cover services provided by the health benefits fund; and revenue from policy holders of the health benefits fund for services not covered by the insurance premium.

Value recorded as health fund benefits	This is the value of providing services to policy holders of the health benefits fund that are covered by their insurance premiums. Since this amount does not involve the policy holders paying the fund a second time, it is excluded when calculating total fund revenue. Note that, however, it is needed when calculating total fund expenses (see below).
Agency business	Revenues related to agency business are included as HRB. An agency business is defined under the <i>Private Health Insurance (Health Benefits Fund Policy) Rules 2007</i> .
Net other operational revenue	This means all other (i.e. other than HIB and HRB) operational revenue, net of expenses, attributable to the fund. Note that the expenses by which this amount is netted must not also occur in Section 3 of HRF 602.4.

Section 3: Net Investment Income

Term	Instruction/comment
Net investment income	This includes investment income and changes in investment asset values (both from revaluation and from market movements). Where income is negative, enter a negative value. Income must be recorded net of all investment expenses and fees.

HRF 602.4 Financial and Capital Data – Expenses

Explanatory Notes

The Expenses worksheet consists of three Sections:

- Section 1: Insurance Claims;
- Section 2: Other Business Expenses; and
- Section 3: Non-operating Expenses.

Purpose

This reporting form contains details of benefits and expenses of the health benefits fund with segregation between key areas.

Its primary purpose is to provide APRA with expense data.

It provides data necessary for compiling a Profit and Loss statement. In particular, when combined with data collected in HRF 602.3 and HRF 602.5, it can reconcile the changes in the Balance Sheet (data collected in the HRF 602.6 and HRF 602.7) since the previous submission.

Total HIB benefits (for gross margin purposes)

The sum of the values in Section 1a will give the total HIB benefits during the relevant reporting period used to produce the gross margins.

Total HIB expenses (for net margin purposes)

The sum of the values in Column D of Section 2a (HIB all other business expenses) will give the total HIB expenses during the relevant reporting period used to produce the net margins.

Sections which do not contribute towards total fund expenses

Section 2b (claims handling expenses) does not contribute towards the total fund expenses (being already reflected in the other business expenses in Section 2a), and nor does the description in Section 2a.

Instructions for specific items

Section 1: Insurance Claims

Movements in the benefit component of the outstanding claims and unexpired risk liabilities are to be reported at the relevant Hospital treatment or General treatment and Ambulance. This would include the application of a risk margin for the benefit component of the outstanding claims liability.

Movement in the Risk Equalisation Trust Fund (**RETF**) component of the outstanding claims liability is to be reported at the net RETF item. This may include the application of a risk margin.

Movement in the administration component of the outstanding claims liability is to be included in the claims handling expenses item, as well as allocated in Section 2.

Term	Instruction/comment
HIB claims	These are the value of all HIB benefits incurred, including the value of services provided in lieu of a benefit payment.
Split by hospital treatment, general treatment and ambulance, and state ambulance levies	HIB claims must be split by services covered. For example, claims for general treatment services on products termed 'hospital only' must be apportioned to general treatment and ambulance. Hospital treatment and general treatment are defined under sections 121-5 and 121-10 of the <i>Private Health Insurance Act 2007</i> respectively.
Net RETF	Enter a negative value where RETF is a net receipt in that jurisdiction. Although NSW and ACT are in the same RETF jurisdiction, the total net RETF in that jurisdiction should be apportioned between NSW and ACT according to the split of the residency of the health benefit fund's hospital SEUs as at the reporting date.

Section 2: Other Business Expenses

Term	Instruction/comment
Commissions & Fees	Fees and/or commissions paid to agents, brokers or aggregators.
Employee Costs	Includes recruitment, residual salary, wages, contractor and on costs, training etc.
Cost of goods/services	<p>These are the costs of all goods and/or services provided to both policy holders and non-policy holders of the health benefits fund.</p> <p>Because HIB claims (Section 1a) includes the value of services provided in lieu of a benefit payment, some costs of goods/services will be reflected in both Section 1a and in Section 2a. As such, the total value of these double-counted costs (which is reported in Column E of Section 2a in the Revenue worksheet) must be deducted from Section 2a when calculating total fund expenses.</p>
Marketing and publicity	Includes, for example, publications, advertising, sponsorship, publicity, health maintenance and promotion programmes.
Operations & administration	Includes, for example, self-occupied property expenses, IT and computing, postage, telephones, accounting audit and other professional feed and membership subscriptions.
Share of corporate overheads	Overhead expenses of another entity borne by the Fund.
Claims handling expenses	Note that the costs associated with processing a claim are a subset of those already recorded in Section 2a.

Section 3: Non-operating expenses

Term	Instruction/comment
Non-operating expenses	To avoid double counting, expenses already recognised in netting off Revenue in Section 3 of HRF 602.3 must be excluded.
Interest Expense & Other Borrowing costs	The definition, recognition and measurement of borrowing costs must be in accordance with AASB 123.
Other expenses	These cover all other items of expense to the health benefits fund not otherwise reported (noting the requirement that reporting forms HRF 602.3, HRF 602.4 and HRF 602.5 be fully able to explain changes in the HRF 602.6 and HRF 602.7).

Income Tax expense paid or payable	The amount of income tax paid or payable from the health benefits fund (whether or not the liability for tax stems from the operations of the health benefits fund) is reported at this item.
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HRF 602.5 Financial and Capital Data – Capital Transfers

Explanatory Notes

This reporting form provides the remaining relevant data in order to explain movements in the Balance Sheet since the previous reporting period.

As per HRF 602.3 and HRF 602.4, it must be completed on an incurred basis.

Data required

Term	Instruction/comment
Capital transfers in	<p>These include all events that result in increased capital in the health benefits fund that are not otherwise recorded in HRF 602.3 and HRF 602.4. As such they could include but are not limited to:</p> <ul style="list-style-type: none"> • capital injections through issuing of shares; • capital injections from a parent entity; • gifts to the health benefits fund; and • asset revaluation reserve for non-investable assets. <p>Where more than five transfers are incurred in the period, those smaller than the largest four must be combined into row 10, and the date incurred can be omitted. The description should attempt to cover the nature of these transfers collectively.</p>
Capital distributions and transfers out	<p>These include all events that result in reduced capital in the health benefits fund that are not otherwise recorded in HRF 602.3 and HRF 602.4. As such they could include but are not limited to:</p> <ul style="list-style-type: none"> • dividend payments; • capital transfers to a parent or subsidiary entity; • donations made by the health benefits fund; and • asset revaluation reserve for non-investable assets. <p>Where more than five events are incurred in the period, those smaller than the largest four must be combined into row 17, and the date incurred can be omitted. The description should attempt to cover the nature of these events collectively.</p>

HRF 602.6 Financial and Capital Data – Assets

Explanatory Notes

This reporting form consists of four Sections:

- Section 1: Directly Held Assets;
- Section 2: Indirectly Held Assets;
- Section 3: Other Assets; and
- Section 4: Counterparty Disclosure.

Purpose

This worksheet collects Balance Sheet information on the health benefits fund that is necessary to monitor compliance with HPS 100 and HPS 110.

In particular:

- the total health benefits fund assets is required for assessing compliance with HPS 110;
- the capital adequacy maximum default loss amount is the value entered in cell D84; and
- cash (the sum of the values in cells D7 and D8) is required for assessing compliance with HPS 100.

The splits of assets by various risk categories give important information on the riskiness of assets in the health benefits fund.

Total fund assets

The sum of the values in Sections 1, 2 and 3 will give the total value of assets in the health benefits fund. This value of assets is used in assessing compliance with HPS 110.

The values in Sections 4a and 4b refer to a subset of the same assets already apportioned in Sections 1, 2 and 3, and give a different apportionment of those assets.

Instructions for specific items

Section 1: Directly held assets

This Section refers to directly held financial instruments and property.

Term	Instruction/comment
Cash on hand	Physical notes and coins held on site.
Demand deposits	At call (i.e. withdrawal without notice) money held with a third party.
Equities	<p>These include listed and unlisted shares held directly.</p> <p>They do not include:</p> <ul style="list-style-type: none"> • options, futures and other derivatives that relate directly to equities (these must be recorded as direct derivatives); and • holdings in associated and subsidiary entities (which are included in Section 3).

Interest bearing assets	These should be reporting according to whether the asset itself is listed. For example, a corporate bond listed on the ASX would be reported as ASX listed, but a term deposit held in an ADI would be reported as Australian Unlisted (even if equities in the ADI are listed).
Maturity	The term to maturity, in days/months as appropriate, as at the end of the reporting period. Where financial instruments have no defined maturity date and are perpetual in nature, include within the ' ≤ 30 days' column.

Section 2: Indirectly held assets

This Section refers to indirectly held financial instruments and property.

Where health insurers have applied the 'look-through' approach to indirect investments, the underlying assets should be apportioned appropriately in Section 2a.

The remaining indirect investments must then be apportioned in Section 2b. Note that APRA expects that a significant level of risk is attached to any assets in this section and may require further information on their content.

Term	Instruction/comment
Equities	<p>These include listed and unlisted shares held in managed equity funds (including private equity funds) or the equity component of a managed fund.</p> <p>They do not include:</p> <ul style="list-style-type: none"> • options, futures and other derivatives in managed funds that relate directly to equities (these must be recorded as indirect derivatives); • property trusts (these must be recorded as indirect property); and • holdings in associated and subsidiary entities (which are included in Section 3).
Maturity	<p>The term to maturity, in days/months as appropriate, at the end of the reporting period.</p> <p>Where financial instruments have no defined maturity date and are perpetual in nature, include within the '≤ 30 days' column.</p>

Section 3: Other assets

All remaining assets, having completed Sections 1 and 2, must be entered in this Section.

Term	Instruction/comment
Holdings in associated and subsidiary entities	Where the valuation methodology applied to the investment in an associate or subsidiary entity of the health benefits fund is anything other than fair value, the value of the net tangible assets of the subsidiary may be used as the investment's

	<p>prescribed value for the purpose of completing the reporting form.</p> <p>This applies even when the value of the net tangible assets exceeds the book value of the entity in the <i>Corporations Act 2001</i> accounts of the Insurer.</p>
DAC	Deferred acquisition costs (DAC) are to be reported separately from the other intangibles (in cell D62).
Unclosed business	<p>Unclosed business is disclosed separately for the health insurance and the health-related insurance business of the Fund.</p> <p>Only <i>earned</i> unclosed business contributions are recognised. These are premiums in arrears, including those collected by third parties, measured up to the Balance Sheet date only.</p> <p>Unearned contributions on unclosed business (i.e. forecasted premiums receivable from the Balance Sheet date to the expiry of the contract period in respect of current health insurance contracts) are no longer recognised as an asset (and there is no corresponding liability).</p>
Equipment	This must be recorded net of depreciation and amortisation. It includes but is not limited to fixtures and fittings, computer hardware, and motor vehicles.

Section 4: Counterparty disclosure

Term	Instruction/comment
ADI	<p>For the full list of Authorised Deposit-taking Institutions (ADIs), please visit APRA's website.</p> <p>This may include demand deposits noted in Sections 1 and 2 if the money is held in an ADI.</p> <p>The counterparty should be the ultimate issuer of the product and not the 'brand name' that the product is issued under. The Product Disclosure Statement, or similar documents, should provide the name of the counterparty.</p>
Grade 1, Grade 2, Grade 3, Grade 4, unrated.	<p>These refer to the counterparty grade as described in the table below.</p> <p>Where there is conflict between two ratings (e.g. between those given by different ratings agencies, or between those in the long-term and short-term ratings table), the lowest grade is applied.</p> <p>Where an agency rates an asset, but only as being below a certain level, it must be categorised as Grade 4.</p> <p>Where there is no rating, for whatever reason, the asset value must be included in the unrated column.</p>

Largest uncompensated loss exposure	The amount entered in cell D84 must equal the <i>capital adequacy maximum default loss amount</i> as defined in HPS 110.
Uncompensated loss exposures	<p>These must be calculated consistent with the definition of <i>capital adequacy maximum default loss</i> in HPS 110. As such, they must be on a look-through basis, and must exclude exposures to Australian Government counterparties and deposits in ADIs. Note that they may, for example, include parties related to the health benefits fund.</p> <p>Where the exposures are uncertain (e.g. due to opaque indirect investments), prudent estimates of these quantities may be entered (noting the materiality limit enforced in the definition of <i>capital adequacy maximum default loss amount</i>).</p>

Long-term ratings:

Grade	Standard & Poor's	Moody's	AM Best		Fitch
			Debt	FSR	
1	AAA	Aaa	aaa	A++	AAA
	AA+	Aa1	aa+	A+	AA+
	AA	Aa2	aa		AA
	AA-	Aa3	aa-		AA-
2	A+	A1	a+	A	A+
	A	A2	a		A
	A-	A3	a-		A-
	BBB+	Baa1	bbb+	B++	BBB+
	BBB	Baa2	bbb		BBB
	BBB-	Baa3	bbb-		B+
3	BB+	Ba1	bb+	B	BB+
	BB	Ba2	bb		BB
	BB-	Ba3	bb-	B-	BB-
	B+	B1	b+	C++, C+	B+
	B	B2	b	C	B
	B-	B3	b-	C-	B-
4	Below B-	Below B3	Below b-	Below C-	Below B-

Short-term ratings:

Grade	Standard & Poor's	Moody's	AM Best	Fitch
1	A1+	P1	AMB-1+	F1+
	A1		AMB-1	F1
2	A2	P2	AMB-2	F2
	A3	P3	AMB-3	F3
3	B	NP Vulnerable	AMB-4	B
4	C	NP Currently Vulnerable		C

HRF 602.7 Financial and Capital Data – Liabilities**Explanatory Notes**

This reporting form consists of five Sections:

- Section 1: Insurance Liabilities;
- Section 2: Other Liabilities;
- Section 3: Prudent Liabilities (HPS 110);
- Section 4: Subordinated Debt (recognised under HPS 110); and
- Section 5: Supervisory Adjustments.

Purpose

This reporting form collects Balance Sheet information to monitor compliance with HPS 100 and HPS 110.

Total fund liabilities

The sum of the values in Sections 1 and 2 should give the total value of liabilities in the health benefits fund, measured in accordance with the relevant AASB Standards.

Liabilities for HPS 110

Sections 3, 4 and 5 relate to the same liabilities as those reported in Sections 1 and 2, but measured in accordance with HPS 110 (rather than in accordance with AASB Standards).

Instructions for specific items**Section 1: Insurance Liabilities**

The insurance liabilities of the health benefits fund are disclosed separately for HIB and HRB. Each must be measured in accordance with the relevant AASB Standards.

Term	Instruction/comment
Unearned Premium & Unexpired Risk Liability	These liabilities include both liabilities related to closed business and unclosed business.

Term	Instruction/comment
Contributions in Advance Liability	The Contributions in Advance (CIA) liability is the amount of premium revenues actually received prior to the valuation date for insurance cover to be provided for periods after the valuation date. It relates to closed business only.
Unexpired Risk Liability (CIA component)	Amount calculated in accordance with AASB 1023 in relation to the CIA component (i.e. loss recognition in respect of unexpired risk portion of health insurance contracts current at the Balance Sheet date). It also relates to closed business only.
Unexpired Risk Liability (unclosed component and constructive obligations)	<p>Amount calculated in accordance with AASB 1023 as the sum of:</p> <ul style="list-style-type: none"> • the amount in relation to the unclosed business liability component (i.e. loss recognition in respect of contracts with risk periods incepting after the Balance Sheet date, covering the period up to the contract renewal date); and • the renewal option liability component (i.e. loss recognition in respect of contracts expected to renew after the Balance Sheet date, covering the period up to the date of the next expected pricing review). <p>Note that the unclosed business contributions liabilities have been removed (as well as the corresponding assets). These were the amounts of unclosed business premiums in arrears for the period between the Balance Sheet date and the contract end.</p>
Unpresented & Outstanding Claims (benefit component)	<p>Benefits payable for:</p> <ul style="list-style-type: none"> • claims that have been reported, but are not yet settled at balance date; • claims that have been incurred, but not yet reported; • claims that have been administratively settled, but which may be reopened; and • any other unpaid claims including those that have been processed but not actually paid. These items should be disclosed as unpresented and outstanding claims instead of current liabilities or trade creditors.
Unpresented & Outstanding Claims (administration component)	Allowance for claims handling expenses associated with those claims included within the provision for unpresented and outstanding claims.
Unpresented & Outstanding Claims (RETF component)	The value of any amount payable or receivable under the RETF arrangements arising from run-off of claims included within the provision for unpresented and outstanding claims.
Unpresented & Outstanding Claims	Dollar value of the risk margin applied to the OSC liability.

Term	Instruction/comment
(OSC margin for risk)	
RETF Liability	Amounts unpaid at balance date arising from the operation of the RETF arrangements.
RETF Margin for Risk	If the health insurer has determined that a risk margin is held in relation to the RETF liability, the dollar value of the risk margin is to be reported.
Loyalty Bonus Liability	The value of accrued loyalty bonus entitlements is to be reported here.
Loyalty Bonus Margin for Risk	If the health insurer has determined that a risk margin is held in relation to the loyalty bonus liability, the dollar value of the risk margin is to be reported.

Section 2: Other Liabilities

The values of other non-insurance liabilities must be entered in this Section, valued in accordance with the relevant AASB Standard.

Term	Instruction/comment
Other liabilities and provisions	All liabilities and provisions that have not otherwise been included in Sections 1 or 2 must be entered in these rows.

Section 3: Prudent Liabilities (HPS 110)

Most of the quantities in this Section are necessary for determining the prudent liabilities amount in HPS 110. Those that are not, provide valuable information on methodologies for calculating compliance.

Term	Instruction/comment
Hospital SEUs	This is the number of hospital SEUs as at the end of the reporting period. It is used to determine the size margin (used to determine the future claims liability amount and the outstanding claims liability amount).
Outstanding claims liability – 75 th percentile	The <i>outstanding claims liability</i> is as defined in HPS 110, that includes a risk margin to produce a 75 per cent probability of adequacy. As with the Balance Sheet liability, the outstanding claims liability should include any unpaid claims including those that have been processed but not actually paid.
Future claims liability – 75 th percentile	The <i>future claims liability</i> is as defined in HPS 110, that includes a risk margin to produce a 75 per cent probability of adequacy.
Future claims liability with no risk	This quantity is calculated using the same methodology as the

margin – 50 th percentile	future claims liability, but with no risk margin applied.
Unbilled calculated deficit	This quantity is as defined in HPS 110, and is used in calculating the <i>risk equalisation trust fund accrued liability amount</i> . This should not be left blank.
Unbilled gross deficit	This quantity is as defined in HPS 110, and is used in calculating the <i>risk equalisation trust fund accrued liability amount</i> .
Billed risk equalisation trust fund liability	This quantity is as defined in HPS 110, and is used in calculating the <i>risk equalisation trust fund accrued liability amount</i> . Note that, as at a reporting date relating to a quarter end, this quantity will normally be zero given that an invoice from APRA has yet to be issued.
Individual other liabilities	These represent the larger liabilities (at least 2 per cent of Balance Sheet liabilities) that form part of the <i>other liabilities amount</i> . They must be valued <i>individually</i> both at the 50 th percentile (central estimate) and the 98 th percentile (which is the value that contributes to the other liabilities amount). The largest four such liabilities are entered into rows 60 to 63. The remaining such liabilities are summed and entered into rows 64. That is, cell D64 is NOT the sum of D60 to D63. As section 3 is a restatement of the balance sheet, this should not be left blank if the health fund has ‘other liabilities’ noted in sections 1 and 2.
Collective other liabilities	These represent the smaller liabilities (less than 2 per cent of Balance Sheet liabilities) that form part of the <i>other liabilities amount</i> . They must be valued <i>collectively</i> both at the 50 th percentile (central estimate) and the 98 th percentile (which is the value that contributes to the other liabilities amount). They are distinct from the individual other liabilities.

Section 4: Subordinated Debt (recognised under HPS 110)

Term	Instruction/comment
Approved loss absorbing subordinated debt	This quantity is as defined in HPS 110, and is used in calculating the <i>subordinated debt</i> . Note that APRA approval is required for the liability to be considered to be ‘approved loss absorbing subordinated debt’ for the purposes of HPS 110.
Previously approved subordinated debt	This quantity is as defined in HPS 110, and is used in calculating the <i>subordinated debt</i> .

Both of the values are for Capital Adequacy purposes. Any further subordinated debt issued by the fund that does not contribute to the definition of subordinated debt in HPS 110 must not be included in these quantities.

Section 5: Supervisory Adjustments

The amount, factor, figure or methodologies for the supervisory adjustments will be prescribed by APRA to the health insurer in writing when necessary. In all other circumstances, zero is entered.

HRF 602.8 Financial and Capital Data – Related Party Disclosures

Explanatory Notes

This reporting form does not contribute further to the production of either a Profit and Loss statement, or to the production of a Balance Sheet.

It instead provides important information on potential contagion risks that may affect the health benefits fund arising from related parties (such as a parent insurer or other company within the same group).

Instructions for specific items

Data required

Term	Instruction/comment
Related party	A party related to the health benefits fund, as defined in AASB 124.
ACN or ABN	Input number only, with no spaces (numeric field).
Relationship to health benefits fund	A brief description, consistent with the definition in AASB 124, of the nature of the relationship between the related party and the health benefits fund. Examples could include but not limited to: subsidiary; parent; joint venture.
Nature of transaction	A brief description of the type of goods and/or services provided to or by the related party.

HRF 602.9 Financial and Capital Data – Claims data

Explanatory Notes

This reporting form is critical to APRA's capacity to upload the data onto our system. Health insurers must ensure that the reporting form has not been tampered with and that the integrity of the default links has been maintained.

This reporting form does not contribute further to the production of either a Profit and Loss statement, or to the production of a Balance Sheet.

It instead provides important information on the nature of the risks in the outstanding claims liabilities.

Instructions for specific items

Data required

Term	Instruction/comment
Claim payment	The benefit paid to the policy holder (gross of risk equalisation trust fund payments/receipts).