

2 May 2018

Mr Neil Grummitt
General Manager
Policy Development
Australian Prudential Regulation Authority
Email: insurance.policy@apra.gov.au

Dear Mr Grummitt

Governance, Fit and Proper, Audit and Disclosure Requirements for Private Health Insurers

Health Insurance Fund of Australia Limited (**HIF**) has conducted a review of the documents released by the Australian Prudential Regulation Authority (**APRA**) on 7 February 2018, as part of its consultation package on governance, fit and proper, audit and disclosure requirements for private health insurers (**Consultation Package**).

HIF is a member of Private Healthcare Australia (**PHA**). This advice is independent of any advice APRA may receive from PHA.

HIF is encouraged by APRA's proposal to apply a refreshed prudential framework that will strengthen the overall quality of governance in private health insurers and one that will aid in improving resilience by increasing the likelihood that responsible persons will identify and take proactive action on emerging issues.

HIF would like to comment on the following aspects of the proposed changes outlined in the Consultation Package:

Prudential Standard CPS 510 Governance

HIF notes APRA's intention to replace the current Prudential Standard HPS 510 Governance (**HPS 510**) with the cross-industry Prudential Standard CPS 510 Governance (**CPS 510**).

HIF's Board of Directors (**Board**) is currently comprised of five (5) directors, being four (4) non-executive directors and one (1) executive director (the incumbent also being the Chief Executive Officer), which therefore meets the minimum Board composition requirements as stipulated in CPS 510.

Currently, HIF has two (2) Board committees, being the Board Audit and Risk Committee and the Board Nomination and Remuneration Committee. HIF notes CPS 510's requirements to, at a minimum, implement three (3) separate Board committees, being the Board Audit Committee, Board Risk Committee and Board Remuneration Committee, respectively. HIF believes that, in line with its size and complexity, it can achieve this requirement. However, the splitting of the two (2) Board Committees into four (4) separate committees, including a Board Nomination Committee, will in all likelihood introduce additional administrative and compliance costs on HIF. We consider Board committee fees may increase by ~\$50k - \$60k per annum which fees we regard as neither immaterial nor material yet is regarded as a lost opportunity cost.

HIF believes that a transition period of 6 to 12 months, from the date of implementation of CPS 510, would be a reasonable time period for private health insurers to ensure compliance with the requirements of CPS 510.

Prudential Standard CPS 520 Fit and Proper

HIF is not concerned with the introduction of the cross-industry Prudential Standard CPS 520 Fit and Proper (**CPS 520**) for private health insurers and supports the importance that CPS 520 places on ensuring that responsible persons have the technical competence and integrity necessary to perform their key roles.

HIF anticipates that the compliance costs associated with the implementation of CPS 520 will be immaterial and believes that a transition period of 6 months, from the date of implementation of CPS 520, would be a reasonable time period for private health insurers to ensure compliance with the requirements of CPS 520.

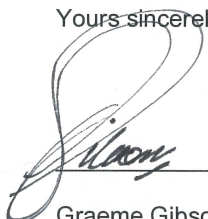
Prudential Standard HPS 310 Audit and Related Matters

HIF supports the proposed requirements contained within the new Prudential Standard HPS 310 Audit and Related Matters (**HPS 310**) and anticipates that the implementation of HPS 310 will not have a material impact on compliance costs.

HIF believes that a transition period of 3 months, from the date of implementation of HPS 310, would be a reasonable time period for private health insurers to ensure compliance with the requirements of HPS 310.

HIF thanks APRA for the opportunity to provide comment on the proposed changes outlined in the Consultation Package.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Graeme', is written over a horizontal line.

Graeme Gibson
Managing Director

CC: Board
Audit and Risk Committee
Risk Management Committee