



# Reporting Standard HRS 117.0

## Asset Concentration Risk Charge

### Objective of this Reporting Standard

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

It includes associated specific instructions and must be read in conjunction with *Prudential Standard HPS 117 Capital Adequacy: Asset Concentration 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 117.0

## Asset Concentration Risk Charge

### General Instructions

#### Application

A private health insurer must apply this Reporting Standard separately to each of its health benefits funds and its general fund. The term ‘private health insurer’ refers to the health private health insurer as a whole. The term ‘fund’ refers to each health benefits fund and general fund, unless otherwise noted.

#### 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>Adjustment for Cumulative Exposures Amount</i></b>	For reinsurance exposures only, this is the adjustment for cumulative exposures that needs to be made in line with <i>Prudential Standard HPS 117 Capital Adequacy: Asset Concentration Risk Charge</i> (HPS 117).
<b><i>Adjustments to Asset Concentration Risk Charge as approved by APRA</i></b>	<p>If APRA is of the view that the Standard Method for calculating the <b><i>Asset Concentration Risk Charge</i></b> 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 <b><i>Asset Concentration Risk Charge</i></b>, APRA may adjust the <b><i>Asset Concentration Risk Charge</i></b> calculation for that reporting insurer.</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>
<b><i>Asset Concentration Risk Charge</i></b>	<p>The <b><i>Asset Concentration Risk Charge</i></b> is the minimum amount of capital required to be held against asset concentration risks. It is calculated as the sum of:</p> <ul style="list-style-type: none"> <li>• <b><i>Reinsurance Asset Concentration Risk Charge</i></b>;</li> </ul>

	<ul style="list-style-type: none"> <li>• <i>Non-reinsurance Asset Concentration Risk Charge</i>; and</li> <li>• <i>Adjustments to Asset Concentration Risk Charge as approved by APRA.</i></li> </ul>
<b><i>Asset Concentration Risk Charge Limit Amount</i></b>	<p>For reinsurance exposures this means the appropriate asset concentration limit as specified in HPS 117 for reinsurance exposures to Grade 5, 6 and 7 counterparties or Grade 4 counterparties belonging to the same group.</p> <p>For non-reinsurance exposures this means the appropriate <i>Asset Concentration Risk Charge</i> limit as specified in HPS 117.</p>
<b><i>Asset Concentration Risk Charge Long Term Limit Amount</i></b>	<p>This means the appropriate <i>Asset Concentration Risk Charge</i> limit for long-term exposures to unrelated parties that are part of an APRA-regulated group as per HPS 117.</p> <p>For exposures categorised as 'Unrelated party (APRA-regulated group)', this is the fair value of the exposure to long-term assets, net of provision for doubtful debts and after amounts that are deducted from the capital base. Long term exposures are those assets with a residual maturity of greater than one year.</p>
<b><i>Asset Concentration Risk Charge Long Term Net Exposure Amount</i></b>	<p>This means the fair value of the exposure to long-term assets, net of provision for doubtful debts and after amounts that are deducted from the capital base. Long term exposures are those assets with a residual maturity of greater than one year.</p>
<b><i>Asset Concentration Risk Charge Net Exposure Amount</i></b>	<p>This means the fair value of the exposure, net of provision for doubtful debts and any regulatory adjustments to capital base related to this exposure, that is subject to <i>Asset Concentration Risk Charge</i>. Reinsurance exposures regulatory adjustments would consist of reinsurance assets not subjected to an executed and legally binding contract.</p>
<b><i>Asset Exposure Category After Eligible Credit Support</i></b>	<p>For reinsurance exposures that are covered by eligible credit support, report the counterparty grade grouping as:</p> <ul style="list-style-type: none"> <li>• Grade 4; or</li> <li>• Grade 5, 6 or 7.</li> </ul> <p>For non-reinsurance exposures, categorise the exposure into one of the following in accordance with HPS 117:</p> <ul style="list-style-type: none"> <li>• Related party (APRA-regulated group);</li> <li>• Unrelated party (APRA-regulated group); or</li> <li>• Other.</li> </ul>

**C**

<b><i>Counterparty Grade type</i></b>	<p>This means the classification applied to the exposure as per <i>Prudential Standard HPS 001 Definitions</i> (HPS 001).</p>
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<b><i>Counterparty Group Name</i></b>	This is the name of the group to which the counterparty to the exposure belongs.
<b><i>Counterparty Name</i></b>	This is the name of the counterparty to the exposure.
<b><i>Counterparty Grade After Eligible Credit Support</i></b>	This means the <b><i>counterparty grade type</i></b> related to exposures that are covered by collateral or guarantee.

**E**

<b><i>Eligible Credit Support Applied</i></b>	<p>The means whether the reinsurance or non-reinsurance exposure is covered by an eligible collateral, guarantee, or letter of credit, indicate whether the insurer has applied the eligible credit support to calculate the asset concentration risk charge.</p> <p>Possible values are:</p> <ul style="list-style-type: none"> <li>• Yes; and</li> <li>• No.</li> </ul>
<b><i>Exposure subject to Asset Concentration Risk Charge</i></b>	<p>For reinsurance exposures only: This is the total exposure that is subject to the <b><i>Asset Concentration Risk Charge</i></b>. This item is calculated at the level of each <b><i>counterparty group name</i></b> as the sum of:</p> <ul style="list-style-type: none"> <li>• <b><i>Asset Concentration Risk Charge net exposure amount</i></b>; and</li> <li>• <b><i>Adjustment for cumulative exposures amount</i></b>.</li> </ul>

**N**

<b><i>Name of Provider of Eligible Credit Support</i></b>	This means the name of the entity providing the collateral or guarantee where the insurer holds collateral against the asset or if the asset has been guaranteed.
<b><i>Non-reinsurance Asset Concentration Risk Charge</i></b>	<p>This represents the <b><i>Asset Concentration Risk Charge</i></b> for non-reinsurance exposures and is the sum of the Asset Concentration Risk Charges for each non-reinsurance exposure category.</p> <p>This is the excess (if any) of the net exposure amount over and above the respective Asset Concentration Risk Charge limit and is calculated as the greater of:</p> <ul style="list-style-type: none"> <li>• <b><i>Asset Concentration Risk Charge net exposure amount</i></b> less <b><i>Asset Concentration Risk Charge limit amount</i></b>; and</li> <li>• <b><i>Asset Concentration Risk Charge long term net exposure amount</i></b> less <b><i>Asset Concentration Risk Charge long term limit amount</i></b>,</li> </ul> <p>subject to a floor of zero.</p>

## O

<b><i>Off-Balance Sheet Large Exposure Amount</i></b>	This represents the fair value of the exposure, net of provision for doubtful debts, recognised off-balance sheet.
<b><i>On-Balance Sheet Large Exposure Amount</i></b>	This represents the fair value of the exposure, net of provision for doubtful debts, recognised on-balance sheet.

## R

<b><i>Reinsurance Asset Concentration Risk Charge</i></b>	<p>This represents the <b><i>Asset Concentration Risk Charge</i></b> for reinsurance exposures and is the sum of the Asset Concentration Risk Charges for reinsurance exposures across all counterparty grades.</p> <p>This is the excess (if any) of the net exposure amount over and above the respective Asset Concentration Risk Charge limit and is calculated as <b><i>exposure subject to Asset Concentration Risk Charge</i></b> less <b><i>Asset Concentration Risk Charge limit amount</i></b>, subject to a floor of zero.</p>
<b><i>Related party</i></b>	<p>This means the type of relationship of the counterparty to the reporting insurer. This can take the values of:</p> <ul style="list-style-type: none"> <li>• Parent;</li> <li>• Controlled entity;</li> <li>• Associate / Joint venture; or</li> <li>• Other related party.</li> </ul>

## T

<b><i>Total Large Exposure Amount</i></b>	<p>This represents the fair value of the exposure, net of provision for doubtful debts, and includes both on-balance sheet and off-balance sheet amounts.</p> <p>This is calculated as the sum of:</p> <ul style="list-style-type: none"> <li>• <b><i>On-Balance Sheet Large Exposure Amount</i></b>; and</li> <li>• <b><i>Off-Balance Sheet Large Exposure Amount</i></b>.</li> </ul>
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## Specific instructions

### Table 1: Large Exposures

#### Reporting threshold

This section is to be completed for each exposure to an asset, a counterparty or a group of counterparties that is greater than 10 per cent of the capital base of the fund. Where the aggregate exposure to a group of related counterparties is over the 10 per cent threshold, report the exposure to each individual counterparty separately, even if the individual exposure is less than the threshold.

#### Collateral and guarantees

For exposures that are supported by collateral, guarantees or letters of credit (eligible credit support):

- If the exposure is covered by more than one collateral / guarantee / letter of credit, split the original exposure into multiple rows for each eligible credit support applicable.
- If the eligible credit support provided does not cover the full value of the exposure, split the original exposure into multiple rows: one for the part that is covered, and one for the part that remains uncovered.

#### Units of measurement

Report values in whole Australian dollars.

	Name	Valid values	Description
1	Private Health Insurer Fund Type	<ul style="list-style-type: none"> <li>• General fund</li> <li>• Health benefits fund</li> </ul>	Report the private health insurer fund type.
2	Private Health Insurer Fund Name	Free text	Report the name of the private health insurer fund.
3	Counterparty Name	Free text	Report the <i>counterparty name</i> .

	Name	Valid values	Description
4	Counterparty Group Name	Free text	Report the <i>counterparty group name</i> . Where the counterparty does not belong to a group, enter the <i>counterparty name</i> .
5	Counterparty ACN, ABN Or ARBN	9 digit valid ACN, 11 digit valid ABN or 9 digit valid ARBN	Report the counterparty ACN, ABN or ARBN Report the ACN of the reported counterparty. In cases where a counterparty does not have an ACN but it does have an ABN or an ARBN, report the ABN or ARBN. Input the number without spaces. If a counterparty does not have an ACN, ABN, or ARBN leave the column blank.
6	Reinsurance Or Non-Reinsurance Exposure Type	<ul style="list-style-type: none"> <li>• Reinsurance</li> <li>• Non-reinsurance</li> <li>• Combination of multiple exposures</li> </ul>	Report the reinsurance or non-reinsurance exposure type.
7	Reinsurance Or Non-Reinsurance Exposure Type Description	Free text	Describe the reinsurance or non-reinsurance exposure type.
8	Non-APRA Authorised Reinsurer Indicator	<ul style="list-style-type: none"> <li>• Yes</li> <li>• No</li> </ul>	Indicate whether the counterparty is a non-APRA authorised reinsurer.
9	Related Party Type	<ul style="list-style-type: none"> <li>• Parent</li> <li>• Controlled entity</li> <li>• Associate / Joint venture</li> <li>• Other related party</li> </ul>	Report the <i>related party</i> . If exposure is not to a related party, report as <i>not applicable</i> .

	Name	Valid values	Description
		<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>	
10	Counterparty Grade Type	<ul style="list-style-type: none"> <li>• Grade 1</li> <li>• Grade 2</li> <li>• Grade 3</li> <li>• Grade 4</li> <li>• Grade 5</li> <li>• Grade 6</li> <li>• Grade 7</li> </ul>	Report the <i>counterparty grade type</i> .
11	Name Of Provider Of Eligible Credit Support	Free text	Report the <i>name of provider of eligible credit support</i> . If no eligible credit support is provided, report <i>not applicable</i> .
12	Counterparty Grade After Eligible Credit Support	<ul style="list-style-type: none"> <li>• Grade 1</li> <li>• Grade 2</li> <li>• Grade 3</li> <li>• Grade 4</li> <li>• Grade 5</li> <li>• Grade 6</li> <li>• Grade 7</li> <li>• Not applicable</li> </ul>	Report the <i>counterparty grade after eligible credit support</i> . If no eligible credit support is provided, report <i>not applicable</i> .
13	On-Balance Sheet Large Exposure Amount	Whole dollars	Report the <i>on-balance sheet large exposure amount</i> .

	<b>Name</b>	<b>Valid values</b>	<b>Description</b>
14	Off-Balance Sheet Large Exposure Amount	Whole dollars	Report the <i>off-balance sheet large exposure amount</i> .

**Table 2: Asset Concentration Risk Charge - Reinsurance Exposures****Reporting threshold**

This section is to be completed for each exposure to a group of related counterparties that will trigger an *Asset Concentration Risk Charge* limit as specified in HPS 117.

**Reinsurance exposures**

Reinsurance exposures must be reported in the following order for each group of related counterparties:

- Combine all exposures to Grade 5 and below; and
- Combine all exposures to Grade 4.

**Units of measurement**

Report values in whole Australian dollars.

	Name	Valid values	Description
1	Private Health Insurer Fund Type	<ul style="list-style-type: none"> <li>• General fund</li> <li>• Health benefits fund</li> </ul>	Report the private health insurer fund type.
2	Private Health Insurer Fund Name	Free text	Report the name of the private health insurer fund.
3	Counterparty Group Name	Free text	Report the <i>counterparty group name</i> .
4	Eligible Credit Support Applied Indicator	<ul style="list-style-type: none"> <li>• Yes</li> <li>• No</li> </ul>	Report the <i>eligible credit support applied</i> indicator.
5	Asset Exposure Category After Eligible Credit Support	<ul style="list-style-type: none"> <li>• Grade 4</li> <li>• Grade 5, 6 or 7</li> </ul>	Report the <i>asset exposure category after eligible credit support</i> .

	Name	Valid values	Description
6	Asset Concentration Risk Charge Net Exposure Amount	Whole dollars	Report the <i>asset concentration risk charge net exposure amount</i> .
7	Asset Concentration Risk Charge Limit Amount	Whole dollars	Report the <i>asset concentration risk charge limit amount</i> .
8	Adjustment For Cumulative Exposures Amount	Whole dollars	Report the <i>adjustment for cumulative exposures amount</i> . This applies to reinsurance exposures only.

**Table 3: Asset Concentration Risk Charge - Non-Reinsurance Exposures****Reporting threshold**

This section is to be completed for each exposure to a group of related counterparties that will trigger an *Asset Concentration Risk Charge* limit as specified in HPS 117.

**Units of measurement**

Report values in whole Australian dollars.

	Name	Valid values	Description
1	Private Health Insurer Fund Type	<ul style="list-style-type: none"> <li>General fund</li> <li>Health benefits fund</li> </ul>	Report the private health insurer fund type.
2	Private Health Insurer Fund Name	Free text	Report the name of the private health insurer fund.
3	Counterparty Group Name	Free text	Report the <i>counterparty group name</i> .
4	Eligible Credit Support Applied Indicator	<ul style="list-style-type: none"> <li>Yes</li> <li>No</li> </ul>	Report the <i>eligible credit support applied</i> indicator.
5	Asset Exposure Category After Eligible Credit Support Type	<ul style="list-style-type: none"> <li>Related party (APRA-regulated group)</li> <li>Unrelated party (APRA-regulated group)</li> <li>Other related party</li> </ul>	Report the <i>asset exposure category after eligible credit support</i> .
6	Asset Concentration Risk Charge Net Exposure Amount	Whole dollars	Report the <i>asset concentration risk charge net exposure amount</i> .

	Name	Valid values	Description
7	Asset Concentration Risk Charge Long Term Net Exposure Amount	Whole dollars	Report the <i>asset concentration risk charge long term net exposure amount</i> .
8	Asset Concentration Risk Charge Limit Amount	Whole dollars	Report the <i>asset concentration risk charge limit amount</i> .
9	Asset Concentration Risk Charge Long Term Limit Amount	Whole dollars	Report the <i>asset concentration risk charge long term limit amount</i> . This applies to non-reinsurance exposures only.