

**Financial Sector (Collection of Data) (reporting standard) determination No. 12 of 2023**

**Reporting Standard GRS 118.0 Operational Risk Charge**

*Financial Sector (Collection of Data) Act 2001*

I, Michael Murphy, 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. 15 of 2013, including *Reporting Standard GRS 118.0 Operational Risk Charge* made under that Determination; and
2. DETERMINE *Reporting Standard GRS 118.0 Operational Risk Charge,* in the form set out in the Schedule, which applies to the financial sector entities to the extent provided in paragraph 3 of the reporting standard.

Under section 15 of the Act, I DECLARE that the reporting standard shall begin to apply to those financial sector entities on 1 April 2023, and the revoked reporting standard shall cease to apply, on 1 April 2023.

This instrument commences on 1 April 2023.

Dated: 16 March 2023

Michael Murphy

General Manager – Chief Data Officer (Acting),

Technology and Data Division

**Interpretation**

In this Determination:

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

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

**Schedule**

*Reporting Standard GRS 118.0 Operational Risk Charge* comprises the document commencing on the following page.

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**Reporting Standard GRS 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 general insurer’s Operational Risk Charge.

It includes *Form GRF 118.0 Operational Risk Charge* and associated specific instructions and must be read in conjunction with the general instruction guide and *Prudential Standard GPS 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**

* 1. Information collected in *Form GRF 118.0 Operational Risk Charge* (GRF 118.0) 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). This Reporting Standard applies for reporting periods ending on or after 1 April 2023.

**Information required**

* 1. An insurer must provide APRA with the information required by Form GRF 118.0 for each reporting period.

**Method of submission**

* 1. 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**

* 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 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 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 Form GRF 118.0in relation to that insurer.

**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 *Prudential Standard GPS 001 Definitions* (GPS 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. The Australian Reinsurance Pool Corporation is also an APRA-authorised reinsurer for the purposes of this definition;

***capital standards*** means the prudential standards which relate to capital adequacy as defined in GPS 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 6(b) or, if applicable, paragraph 7.

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| **GRF\_118\_0: Operational Risk Charge (GEN)** |

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

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| 1. **Operational Risk Charge for inwards reinsurance business (ORCI)**
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| * 1. GWP for the 12 months ending on the reporting date (ORCI)
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| * 1. GWP for the 12 months ending on the date 12 months prior to the reporting date (ORCI)
 |  |
| * 1. Central estimate of net insurance liabilities (ORCI)
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| 1. **Operational Risk Charge for business that is not inwards reinsurance (ORCNI)**
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| * 1. GWP for the 12 months ending on the reporting date (ORCNI)
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| * 1. GWP for the 12 months ending on the date 12 months prior to the reporting date (ORCNI)
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| * 1. Central estimate of net insurance liabilities (ORCNI)
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| 1. **Adjustments to Operational Risk Charge as approved by APRA**
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|  |  |  |
| --- | --- | --- |
| **Description** | **Transitional?** | **Amount** |
| **(1)** | **(2)** | **(3)** |
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|  |  |  |
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| --- | --- |
| 1. **Total Operational Risk Charge**
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**GRF\_118\_0 Operational Risk Charge**

These instructions must be read in conjunction with the general instruction guide.

**Instructions for specific items**

1. **Operational Risk Charge for inwards reinsurance business (ORCI)**

This is the Operational Risk Charge relating to the reporting insurer's inwards reinsurance business.

This is automatically calculated using the formula in accordance with *Prudential Standard GPS 118 Capital Adequacy: Operational Risk Charge* (GPS 118).

* 1. **GWP for the 12 months ending on the reporting date (ORCI)**

This is the value of gross written insurance premium revenue, relating to the reporting insurer's inwards reinsurance business, recognised for the 12 months ending on the reporting date, as determined in accordance with relevant accounting standards. This item includes any fire service levy or other levies imposed by state and territory governments, and revenue related to transfers of insurance business made in accordance with the *Insurance Act 1973* and unclosed business. This is gross of any associated outwards reinsurance expense.

* 1. **GWP for the 12 months ending on the date 12 months prior to the reporting date (ORCI)**

This is the value of gross written insurance premium revenue, relating to the reporting insurer's inwards reinsurance business, recognised for the 12 months ending on the date that is 12 months prior to the reporting date, as determined in accordance with relevant accounting standards. This item includes any fire service levy or other levies imposed by state and territory governments, and revenue related to transfers of insurance business made in accordance with the *Insurance Act 1973* and unclosed business. This is gross of any associated outwards reinsurance expense.

* 1. **Central estimate of net insurance liabilities (ORCI)**

This is the value, relating to the reporting insurer's inwards reinsurance business, of the central estimate component of outstanding claims liabilities (OCL) and premiums liabilities (PL), net of any recoveries that relate to the gross OCL and gross PL, determined in accordance with *Prudential Standard GPS 320 Actuarial and Related Matters* (GPS 320).

1. **Operational Risk Charge for business that is not inwards reinsurance (ORCNI)**

This is the Operational Risk Charge relating to business written directly by the reporting insurer.

This is automatically calculated using the formula in accordance with GPS 118.

* 1. **GWP for the 12 months ending on the reporting date (ORCNI)**

This is the value of gross written insurance premium revenue, relating to business written directly by the reporting insurer, recognised for the 12 months ending on the reporting date, as determined in accordance with relevant accounting standards. This item includes any fire service levy or other levies imposed by state and territory governments, and revenue related to transfers of insurance business made in accordance with the *Insurance Act 1973* and unclosed business. This is gross of any associated outwards reinsurance expense.

* 1. **GWP for the 12 months ending on the date 12 months prior to the reporting date (ORCNI)**

This is the value of gross written insurance premium revenue, relating to business written directly by the reporting insurer, recognised for the 12 months ending on the date that is 12 months prior to the reporting date, as determined in accordance with relevant accounting standards. This item includes any fire service levy or other levies imposed by state and territory governments, and revenue related to transfers of insurance business made in accordance with the *Insurance Act 1973* and unclosed business. This is gross of any associated outwards reinsurance expense.

* 1. **Central estimate of net insurance liabilities (ORCNI)**

This is the value, relating to business written directly by the reporting insurer, of the central estimate component of OCL and PL, net of any recoveries that relate to the gross OCL and gross PL, determined in accordance with GPS 320. The OCL and PL relate to business written directly by the reporting insurer.

1. **Adjustments to Operational Risk Charge as approved by APRA**

If APRA is of the view that the Standard Method for calculating the Operational Risk Charge 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 Operational Risk Charge, APRA may adjust the Operational Risk Charge calculation for that reporting insurer.

Approved adjustments are to be reported separately in the associated table 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.

This is calculated automatically as the sum of column 3 in the table that follows.

1. **Total Operational Risk Charge**

This is the minimum amount of capital a reporting insurer 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 GPS 118.

It is automatically calculated as item 1 plus item 2 plus item 3.