



Financial Sector (Collection of Data) (reporting standard) determination No. 119 of 2023

Reporting Standard LRS 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*:

- (a) revoke Financial Sector (Collection of Data) (reporting standard) determination No. 30 of 2023, including *Reporting Standard LRS 118.0 Operational Risk Charge* made under that Determination; and
- (b) determine *Reporting Standard LRS 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 that reporting standard.

Under section 15 of the Act, I declare that *Reporting Standard LRS 118.0 Operational Risk Charge* shall begin to apply to those financial sector entities, and the revoked reporting standard shall cease to apply, on the day *Reporting Standard LRS 118.0 Operational Risk Charge* is registered on the Federal Register of Legislation.

This instrument commences upon registration on the Federal Register of Legislation.

Dated: 18 May 2023

Michael Murphy
General Manager - Chief Data Officer (Acting)
Technology and Data Division

Interpretation

In this Determination:

APRA means the Australian Prudential Regulation Authority.

Federal Register of Legislation means the register established under section 15A of the *Legislation Act 2003*.

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

Schedule

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



Reporting Standard LRS 118.0

Operational Risk Charge

Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA in relation to calculating a life insurance company's Operational Risk Charge.

It includes associated specific instructions and must be read in conjunction with *Reporting Standard LRS 001 Reporting Requirements* (LRS 001), including the general instruction guide and *Prudential Standard LPS 118 Capital Adequacy: Operational Risk Charge* (LPS 118).

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 adequacy standards.

Application and commencement

3. This Reporting Standard applies to all life insurance companies including friendly societies (together referred to as 'life companies') registered under the *Life Insurance Act 1995* (Life Act). This Reporting Standard applies for reporting periods ending on or after 1 July 2023.

Information required

4. A life company must provide APRA with the information required by this Reporting Standard for each reporting period.
5. The information reported to APRA under this Reporting Standard is not required to be given to policy owners pursuant to section 124 of the Life Act. It does not constitute a reporting document for the purposes of section 124.

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 life company must provide the information required by this Reporting Standard:
 - (a) in respect of each quarter based on the financial year of the life company on an unaudited basis; and
 - (b) in respect of each financial year of the life company on an audited basis.

Note 1: This means that information provided under this Reporting Standard will be submitted five times for a full financial year.

Note 2: The annual audited information provided under this Reporting Standard must be submitted in conjunction with the annual auditor's report, as required under *Prudential Standard LPS 310 Audit and Related Matters*.

8. If, having regard to the particular circumstances of a life company, 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 life company.
9. The information required by this Reporting Standard in respect of a life company must be provided to APRA:
 - (a) in the case of quarterly information, within 20 business days after the end of the reporting period to which the information relates;
 - (b) in the case of annual information, within three months after the end of the reporting period to which the information relates; 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 life company 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 life company is nonetheless required to submit the information required no later than the due date.

Quality control

11. The information provided by a life company under this Reporting Standard must be the product of systems, processes and controls that have been reviewed and tested by the Auditor of the life company. This will require the Auditor to review and test the life

company's systems, processes and controls supporting the reporting of the information to enable the life company to provide reliable financial information to APRA. This review and testing must be done on:

- (a) an annual basis or more frequently if necessary to enable the Auditor to form an opinion on the reliability and accuracy of data; and
 - (b) at least a limited assurance engagement consistent with professional standards and guidance notes issued by the Auditing and Assurance Standards Board as may be amended from time to time, to the extent that they are not inconsistent with the requirements of *Prudential Standard LPS 310 Audit and Related Matters*.
12. All information provided by a life company under this Reporting Standard must be subject to systems, processes and controls developed by the life company for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the life company to ensure that an appropriate set of policies and procedures for the authorisation of data submitted to APRA is in place.
13. Actuarial valuations and calculations included in or used in the preparation of the information provided to APRA must be in accordance with the prudential standards in force for the reporting period. However, life companies may use reasonable estimates when preparing information that will not be audited (i.e. for the first four submissions of information for a full financial year).

Authorisation

14. When an officer or agent of a life company provides the information required by this Reporting Standard using an electronic format, the officer or agent must digitally sign the relevant information using a digital certificate acceptable to APRA.
15. An officer or agent of a life company who submits information under this Reporting Standard must be authorised by either:
- (a) the Principal Executive Officer of the life company; or
 - (b) the Chief Financial Officer of the life company.

Variations

16. APRA may, by written notice to the life company, vary the reporting requirements of this Reporting Standard in relation to that life company.

Transition

17. A life company must report under the old reporting standard in respect of a transitional reporting period. For these purposes:

old reporting standard means the reporting standard revoked in the determination making this Reporting Standard; and

transitional reporting period means a reporting period under the old reporting standard:

- (a) which ended before 1 July 2023; and
- (b) in relation to which the life company was required, under the old reporting standard, to report by a date on or after the date of revocation of the old reporting standard.

Note: For the avoidance of doubt, if a life company was required to report under an old reporting standard, and the reporting documents were due before the date of revocation of the old reporting standard, the life company is still required to provide any overdue reporting documents in accordance with the old reporting standard.

Interpretation

18. In this Reporting Standard:

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

Auditor means an auditor appointed under paragraph 83 of the Life Act.

capital adequacy standards means the prudential standards which relate to capital adequacy as defined in LPS 001.

Chief Financial Officer means the chief financial officer of the life company, by whatever name called.

financial year has the meaning in the *Corporations Act 2001*.

general instruction guide refers to the general instruction guide set out in Attachment A of LRS 001.

Life Act means the *Life Insurance Act 1995*.

Principal Executive Officer means the principal executive officer of the life company, by whatever name called, and whether or not he or she is a member of the governing board of the entity.

reporting period means a reporting period under subparagraph 7(a) or 7(b) or, if applicable, paragraph 8.

19. 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 LRS 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.

O

<i>Operational Risk Charge for risk business (ORCR) – Accrued premium (12 months ending on reporting date)</i>	This is the total accrued premium (gross of reinsurance) in respect of risk business, for the period of 12 months ending on the reporting date. Accrued premium is defined in LPS 118.
<i>ORCR – Accrued premium (12 months ending on date 12 months prior to reporting date)</i>	This is the total accrued premium (gross of reinsurance) in respect of risk business, for the period of 12 months ending on the date that is 12 months prior to the reporting date. Accrued premium is defined in LPS 118.
<i>ORCR - Adjusted policy liabilities (net of reinsurance)</i>	This is the total adjusted policy liabilities (net of reinsurance) determined in accordance with <i>Prudential Standard LPS 112 Capital Adequacy: Measurement of Capital</i> (LPS 112), in respect of risk business at the reporting date.
<i>Operational Risk Charge for investment-linked business (ORCI) – Accrued premium (12</i>	This is the total accrued premium (gross of reinsurance) in respect of investment-linked business, for the period of 12 months ending on the reporting date. Accrued premium is defined in LPS 118.

<i>months ending on reporting date)</i>	
<i>ORCI - Adjusted policy liabilities (gross of reinsurance)</i>	This is the total adjusted policy liabilities (gross of reinsurance) determined in accordance with LPS 112, in respect of investment-linked business at the date 12 months prior to the reporting date.
<i>ORCI - Adjusted policy liabilities (net of reinsurance)</i>	This is the total adjusted policy liabilities (net of reinsurance) determined in accordance with LPS 112, in respect of investment-linked business at the reporting date.
<i>ORCI - Gross claim payments to meet policy owner liabilities (12 months ending on reporting date)</i>	This is all payments to meet liabilities to policy owners (gross of reinsurance) for the 12 months ending on the reporting date in respect of investment-linked business. This excludes payments that are used as premiums for another life policy issued by the life company to avoid double counting.
<i>Operational Risk Charge for other business (ORCO) – Accrued premium (12 months ending on reporting date)</i>	This is the total accrued premium (gross of reinsurance), in respect of life business other than risk and investment-linked business, for the period of 12 months ending on the reporting date. Accrued premium is defined in LPS 118.
<i>ORCO - Adjusted policy liabilities (gross of reinsurance)</i>	This is the total adjusted policy liabilities (gross of reinsurance) determined in accordance with LPS 112, in respect of life business other than risk and investment-linked business at the date 12 months prior to the reporting date.
<i>ORCO - Adjusted policy liabilities (net of reinsurance)</i>	This is the total adjusted policy liabilities (net of reinsurance) determined in accordance with LPS 112, in respect of life business other than risk and investment-linked business at the reporting date.
<i>ORCO - Gross claim payments to meet policy owner liabilities (12 months ending on reporting date)</i>	This is all payments to meet liabilities to policy owners (gross of reinsurance) for the 12 months ending on the reporting date in respect of life business other than risk and investment-linked business. This excludes payments that are used as premiums for another life policy issued by the life company to avoid double counting.

Specific instructions

Reporting basis

This table applies to life companies including friendly societies. Data must be submitted at the level of each statutory fund for life insurers and the management fund for friendly societies.

Report all information as at the reporting date.

Units of measurement

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

Table 1: Operational Risk Charge

Column 1	Report the value for each of the items listed below.
-----------------	--

1. Operational risk charge for risk business (ORCR)

Item 1.1	Report <i>ORCR – Accrued premium (12 months ending on reporting date)</i>
Item 1.2	Report <i>ORCR - Accrued premium (12 months ending on date 12 months prior to reporting date)</i>
Item 1.3	Report <i>ORCR - Adjusted policy liabilities (net of reinsurance)</i>

2. Operational risk charge for investment-linked business (ORCI)

Item 2.1	Report <i>ORCI - Accrued premium (12 months ending on reporting date)</i>
Item 2.2	Report <i>ORCI - Adjusted policy liabilities (gross of reinsurance)</i> This item must be reported at the date which is 12 months prior to the reporting date.
Item 2.3	Report <i>ORCI - Adjusted policy liabilities (net of reinsurance)</i>
Item 2.4	Report <i>ORCI - Gross claim payments to meet policy owner liabilities (12 months ending on reporting date)</i>

3. Operational risk charge for other business (ORCO)

Item 3.1	Report <i>ORCO - Accrued premium (12 months ending on reporting date)</i>
Item 3.2	Report <i>ORCO - Adjusted policy liabilities (gross of reinsurance)</i>

	This item must be reported at the date which is 12 months prior to reporting date.
Item 3.3	Report <i>ORCO - Adjusted policy liabilities (net of reinsurance)</i>
Item 3.4	Report <i>ORCO - Gross claim payments to meet policy owner liabilities (12 months ending on reporting date)</i>