



# Financial Sector (Collection of Data) (reporting standard) determination No. 101 of 2023

## Reporting Standard HRS 111.0 Adjustments and Exclusions

### *Financial Sector (Collection of Data) Act 2001*

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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*, determine *Reporting Standard HRS 111.0 Adjustments and Exclusions*, 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 the day it is registered on the Federal Register of Legislation.

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

Dated: 2 June 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 HRS 111.0 Adjustments and Exclusions* comprises the document commencing on the following page.



# Reporting Standard HRS 111.0

## Adjustments and Exclusions

### 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 adjustments. It includes associated specific instructions.

#### 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.

#### Method of submission

5. 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

6. Subject to paragraph 7, 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.
7. 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 6(a) or 6(b), APRA may, by notice in writing, change the reporting periods, or specify reporting periods, for the particular private health insurer.
8. 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 7, within the time specified by notice in writing.
9. 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

10. 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

11. The information submitted for the purposes of paragraph 8(b) is to be subject to external audit to ensure consistency with the private health insurer's statutory financial accounts and faithful application of the capital standards.
12. Audit certification and opinion must be provided to APRA by 30 September each year.
13. If a private health insurer received a qualified auditor's report for a health benefits fund or the general fund for the previous year, the current year's auditor report 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.

14. 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**

15. A person who submits the information required under this Reporting Standard must be suitably authorised by an officer of the private health insurer.

### **Variations**

16. APRA may, in writing, vary the reporting requirements of this Reporting Standard in relation to a private health insurer.

### **Interpretation**

17. 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;

*officer* has the same meaning as in the *Private Health Insurance (Prudential Supervision) Act 2015*;

*private health insurer* has the same meaning as in the *Private Health Insurance (Prudential Supervision) Act 2015*; and

*reporting period* means a period mentioned in paragraph 6 or, if applicable, paragraph 7.
18. 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 111.0

## Adjustments and Exclusions

### General instructions

#### Reporting tables

Tables described in this reporting standard 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.

The adjustments and exclusions referred to herein relate only to the ***prescribed capital amount*** as defined in *Prudential Standard HPS 110 Capital Adequacy* (HPS 110). Adjustments and exclusions to an insurer's capital base should be reported separately in *Reporting Standard HRS 112.0 – Determination of Capital Base*.

#### Definitions

Terms highlighted in ***bold italics*** indicate that the definition is provided in these instructions.

#### A

<p><b><i>APRA-approved adjustment amount</i></b></p>	<p>If APRA is of the view that the <b><i>APRA-approved adjustment type</i></b> does not produce an appropriate outcome in respect of a fund, or if a private health insurer has used inappropriate judgement or estimation in calculating the <b><i>APRA-approved adjustment type</i></b> for a fund, APRA may adjust the <b><i>APRA-approved adjustment type</i></b> calculation for that fund.</p> <p>Where the adjustment relates to the transitional arrangements referred to in HPS 110, this amount should be reported as an <b><i>APRA-approved adjustment amount</i></b> with the APRA-approved adjustment transitional indicator reported as “Y” and the <b><i>APRA-approved adjustment type</i></b> reported as “<b><i>Prescribed Capital Amount</i></b>”.</p>
<p><b><i>APRA-approved adjustment type</i></b></p>	<p>This means the type of APRA-approved adjustment. Possible types are:</p> <ul style="list-style-type: none"> <li>• <b><i>Prescribed Capital Amount;</i></b></li> <li>• <b><i>Asset Risk Charge;</i></b></li> <li>• <b><i>Insurance Risk Charge - OCL Risk Charge;</i></b></li> <li>• <b><i>Insurance Risk Charge - PL Risk Charge;</i></b></li> <li>• <b><i>Insurance Risk Charge - RE Risk Charge;</i></b></li> <li>• <b><i>Insurance Risk Charge - Other Insurance Liabilities Risk Charge;</i></b></li> <li>• <b><i>Insurance Risk Charge - Future Exposure Risk Charge (HIB);</i></b></li> <li>• <b><i>Insurance Risk Charge - Future Exposure Risk Charge (HRIB);</i></b></li> <li>• <b><i>Insurance Risk Charge - Deferred Claims Liability Risk Charge;</i></b></li> <li>• <b><i>Asset Concentration Risk Charge;</i></b> and</li> </ul>

	<ul style="list-style-type: none"> <li>• <b>Operational Risk Charge.</b></li> </ul>
<b>Asset Concentration Risk Charge</b>	<p>The <b>Asset Concentration Risk Charge</b> is the minimum amount of capital required to be held against asset concentration risks. The <b>Asset Concentration Risk Charge</b> relates to the risk resulting from investment concentrations in individual assets or large exposures to individual counterparties or groups of related counterparties resulting in adverse movements in the fund's capital base.</p> <p>This must be determined in accordance with <i>Prudential Standard HPS 117 Capital Adequacy: Asset Concentration Risk Charge</i>.</p>
<b>Asset Risk Charge</b>	<p>The <b>Asset Risk Charge</b> relates to the risk of adverse movements in the value of a fund's capital base due to credit or market risks. This must be determined in accordance with <i>Prudential Standard HPS 114 Capital Adequacy: Asset Risk Charge</i>.</p>

**G**

<b>General fund</b>	Has the same meaning as in HPS 001.
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**H**

<b>Health benefits fund</b>	Has the same meaning as in the <i>Private Health Insurance (Prudential Supervision) Act 2015</i> .
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**I**

<b>Insurance Risk Charge</b>	<p>The <b>Insurance Risk Charge</b> is the minimum amount of capital required to be held against insurance risks. The <b>Insurance Risk Charge</b> relates adverse financial impacts due to movements in existing and future claims, expenses, and other insurance risks such as adverse events.</p> <p>This must be determined in accordance with <i>Prudential Standard HPS 115 Capital Adequacy: Insurance Risk Charge (HPS 115)</i>.</p>
<b>Insurance Risk Charge - Deferred Claims Liability Risk Charge</b>	<p>The Insurance Risk Charge - Deferred Claims Liability Risk Charge relates to the risk that the value of the deferred claims liability will be greater than the value determined in accordance with Prudential Standard HPS 340 Insurance Liability Valuation (HPS 340). This must be determined in accordance with HPS 115.</p>
<b>Insurance Risk Charge - Future Exposure Risk Charge (HIB)</b>	<p>The <b>Insurance Risk Charge – Future Exposure Risk Charge (HIB)</b> relates to the risk that financial performance of the health insurance business may be materially worse than expected. This must be determined in accordance with HPS 115.</p>
<b>Insurance Risk</b>	The <b>Insurance Risk Charge – Future Exposure Risk Charge (HRIB)</b>

<b>Charge - Future Exposure Risk Charge (HRIB)</b>	relates to the risk that financial performance of the health-related insurance business may be materially worse than expected. This must be determined in accordance with HPS 115.
<b>Insurance Risk Charge - OCL Risk Charge</b>	The <b>Insurance Risk Charge – OCL Risk Charge</b> is the Insurance Liability Risk Charge in respect of outstanding claims risk, which relates to the risk that the value of the OCL is greater than the value determined in accordance with HPS 340. This must be determined in accordance with HPS 115.
<b>Insurance Risk Charge - Other Insurance Liabilities Risk Charge</b>	The <b>Insurance Risk Charge – Other Insurance Liabilities Risk Charge</b> is the Insurance Liability Risk Charge in respect of other insurance liabilities, which relates to the risk that the value of other insurance liabilities is greater than the value determined in accordance with HPS 340. This must be determined in accordance with HPS 115.
<b>Insurance Risk Charge - PL Risk Charge</b>	The <b>Insurance Risk Charge – PL Risk Charge</b> is the Insurance Liability Risk Charge in respect of premiums liabilities risk, which relates to the risk that the value of the OCL is greater than the value determined in accordance with HPS 340. This must be determined in accordance with HPS 115.
<b>Insurance Risk Charge - RE Risk Charge</b>	The <b>Insurance Risk Charge – RE Risk Charge</b> is the Insurance Liability Risk Charge in respect of risk equalisation, which relates to the risk that the value of the net risk equalisation asset/liability is less favourable than the value determined in accordance with HPS 340. This must be determined in accordance with HPS 115.

## O

<b>Operational Risk Charge</b>	<p>The <b>Operational Risk Charge</b> is the minimum amount of capital required to be held against operational risks. The <b>Operational Risk Charge</b> relates to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.</p> <p>This must be determined in accordance with <i>Prudential Standard HPS 118 Capital Adequacy: Operational Risk Charge</i>.</p>
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## P

<b>Prescribed capital amount</b>	<p>The <b>prescribed capital amount</b> for a fund must be determined in accordance with HPS 110.</p> <p>Insurers electing to participate in the transitional arrangements described in HPS 110 should report the adjustment to the <b>prescribed capital amount</b> under this <i>APRA-approved adjustment type</i>.</p>
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## Specific Instructions

**Table 1: Adjustments and exclusions**

### Reporting basis

This table applies to each *health benefits fund* and the *general fund* of the private health insurer.

### Units of measurement

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

	Name	Valid values	Description
1	Private Health Insurer Fund Type	<ul style="list-style-type: none"> <li>• <i>Health benefits fund</i></li> <li>• <i>General fund</i></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	APRA-Approved Adjustment Type	<ul style="list-style-type: none"> <li>• <i>Prescribed Capital Amount</i></li> <li>• <i>Asset Risk Charge</i></li> <li>• <i>Insurance Risk Charge - OCL Risk Charge</i></li> <li>• <i>Insurance Risk Charge - PL Risk Charge</i></li> <li>• <i>Insurance Risk Charge - RE Risk Charge</i></li> <li>• <i>Insurance Risk Charge - Other Insurance Liabilities Risk Charge</i></li> <li>• <i>Insurance Risk Charge - Future Exposure Risk Charge (HIB)</i></li> <li>• <i>Insurance Risk Charge - Future Exposure Risk Charge (HRIB)</i></li> </ul>	Report the <i>APRA-approved adjustment type</i> .

	Name	Valid values	Description
		<ul style="list-style-type: none"> <li>• <i>Insurance Risk Charge – Deferred Claims Liability Risk Charge</i></li> <li>• <i>Asset Concentration Risk Charge</i></li> <li>• <i>Operational Risk Charge</i></li> </ul>	
4	APRA-Approved Adjustment Description	Free text	<p>Provide a description of the <i>APRA-approved adjustment amount</i>.</p> <p>Where the adjustment is a transitional adjustment, the end date for the transitional period is to be clearly included in the description of the item.</p>
5	APRA-Approved Adjustment Transitional Indicator	<ul style="list-style-type: none"> <li>• Yes</li> <li>• No</li> </ul>	<p>Report whether the <i>APRA-approved adjustment amount</i> is transitional.</p> <p>Report ‘Yes’ if the adjustment is transitional. Report ‘No’ if the adjustment is not transitional.</p>
6	APRA-Approved Adjustment Amount	Whole dollars	<p>Report the <i>APRA-approved adjustment amount</i>.</p> <p>Adjustments that would result in an increase to the <i>APRA-approved adjustment amount</i> calculation should be reported as a positive value.</p>