

Financial Sector (Collection of Data) (reporting standard) determination Nos. 31 to 34 of 2015

EXPLANATORY STATEMENT

Prepared by the Australian Prudential Regulation Authority (APRA)

Financial Sector (Collection of Data) Act 2001, subsection 13(1).

From 1 July 2015, under subsection 13(1) of the *Financial Sector (Collection of Data) Act 2001* (the Act), APRA will have the power to determine reporting standards, in writing, with which financial sector entities must comply. Such standards relate to reporting financial or accounting data and other information regarding the business or activities of the entities.

On 26 June 2015, APRA made the following determinations (the instruments):

- (1) Financial Sector (Collection of Data) (reporting standard) determination No. 31 of 2015 which determines *Reporting Standard HRS 601.0 Statistical Data by State* (HRS 601.0);
- (2) Financial Sector (Collection of Data) (reporting standard) determination No. 32 of 2015 which determines *Reporting Standard HRS 602.0 Financial and Capital Data* (HRS 602.0);
- (3) Financial Sector (Collection of Data) (reporting standard) determination No. 33 of 2015 which determines *Reporting Standard HRS 603.0 Statistical Data on Prosthetic Benefits* (HRS 603.0); and
- (4) Financial Sector (Collection of Data) (reporting standard) determination No. 34 of 2015 which determines *Reporting Standard HRS 604.0 Medical Specialty Block Grouping Information* (HRS 604.0).

The instruments take effect on the day the *Private Health Insurance (Prudential Supervision) Act 2015* commences, namely 1 July 2015.

1. Background

As part of the *Smaller Government – additional reductions in the number of Australian Government bodies* initiative announced in the 2014-2015 Budget, the prudential regulation functions of the Private Health Insurance Administration Council (PHIAC) will be transferred to APRA. From 1 July 2015, APRA will take on all prudential regulation functions for private health insurers.

2. Purpose and operation of the instruments

As part of the reforms, the Government has amended the *Australian Prudential Regulation Authority Act 1998* (APRA Act) such that private health insurers will be included as ‘a body regulated by APRA’ within the meaning of subsection 3(2) of the APRA Act. As a result, APRA is empowered to make reporting standards applicable to private health insurers under the Act. The instruments, made under the Act, determine reporting standards applying to private health insurers that replicate the

current reporting obligations administered by PHIAC. The objectives of APRA's reporting standards are to ensure the reporting obligations of private health insurers continue to operate as intended following the transfer of responsibilities to APRA. This will minimise the disturbance to the private health industry. APRA's reporting standards replicate the existing reporting requirements, with some minor and technical changes that are necessary to continue the existing reporting arrangements as intended under the revised legislation and administrative arrangements.

Each reporting standard specifies the information that must be provided, and attaches the related instructions specifying how the form is to be completed. They set out:

- the purpose for which data is being collected;
- the legal authority under which it is collected;
- that specified data in an attached form is to be provided according to prescribed instructions;
- the method and timing for submission;
- the required approach to auditing and quality control; and
- who can authorise the submission of data on behalf of a private health insurer.

HRS 601.0 replicates the existing PHIAC 1 form. Information collected under this reporting standard will be used for the purposes of prudential supervision and collection of data for the calculation of the risk equalisation fund and various levies. Parts of the data are also included in publications.

HRS 602.0 replicates the existing PHIAC 2 form. Information collected under this reporting standard will be used for purposes of prudential supervision, and parts of the data are also included in publications.

HRS 603.0 replicates the existing PHIAC 3 form. Information collected under this reporting standard will be used for purposes of assisting the Department of Health in performing its functions. Parts of the data are also included in publications.

HRS 604.0 replicates the existing PHIAC 4 form. Information collected under this reporting standard will be used for purposes of assisting the Department of Health in performing its functions. Parts of the data are also included in publications.

Under the reporting standards, the reporting obligations and methods of reporting will remain unchanged for private health insurers. As the reporting standards maintain the status quo for the regulation of the private health industry, there are no regulatory impacts or costs incurred through the transition to APRA. Private health insurers are able to continue their practices with minimal disruption.

3. Consultation

APRA undertook extensive consultations on the proposed prudential and reporting framework for APRA's supervision of private health insurers. The consultation was

undertaken from March to May 2015. APRA received input from private health insurers, industry bodies, and other interested parties.

The following consultation papers were released:

- March 2015: Discussion paper on the proposed prudential and reporting framework for APRA's supervision of private health insurers in Australia, together with draft prudential standards, Rules and reporting standards; and
- June 2015: Response to submissions on the proposed prudential and reporting framework for APRA's supervision of private health insurers in Australia, together with final prudential standards, Rules and reporting standards.

APRA has considered both formal and informal feedback from stakeholders throughout the consultation process. 12 submissions were received in response to the discussion paper. In addition to the formal consultation, APRA held a number of consultation sessions and meetings with industry stakeholders.

Industry feedback did not raise any significant concerns with APRA's proposals on the reporting standards. Submissions focused on the technical changes that were necessary to align with the new legislation. As a result, APRA made a number of minor amendments to the consultation documents. These amendments sought to address some minor errors and omissions, and maintain the current requirements applying to private health insurers.

4. Regulation Impact Statement

The Office of Best Practice Regulation has advised that a Regulation Impact Statement is not required for the instruments.

5. Statement of compatibility prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

A Statement of compatibility prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* is provided at Attachment A to this Explanatory Statement.

Attachment A

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

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The Legislative Instruments are compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* (HRPS Act).

Overview of the Legislative Instrument

The Legislative Instruments prescribe requirements applicable to private health insurers, to give effect to the transfer of relevant PHIAC functions to APRA. The instruments continue the current reporting requirements applying to private health insurers administered by PHIAC.

Human rights implications

APRA has assessed these Legislative Instruments and is of the view that they do not engage any of the applicable rights or freedoms recognised or declared in the international instruments listed in section 3 of the HRPS Act. Accordingly, in APRA's assessment, the instruments are compatible with human rights.

Conclusion

These Legislative Instruments are compatible with human rights because they do not raise any human rights issues.