



# Financial Sector (Collection of Data) (reporting standard) determination No. 77 of 2023

## Reporting Standard GRS 118.0 Operational Risk Charge

### *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*:

- (a) revoke Financial Sector (Collection of Data) (reporting standard) determination No. 12 of 2023, including *Reporting Standard GRS 118.0 Operational Risk Charge* made under that Determination; and
- (b) 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 that reporting standard.

Under section 15 of the Act, I declare that *Reporting Standard GRS 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 GRS 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 GRS 118.0 Operational Risk Charge* comprises the document commencing on the following page.



# 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 associated specific instructions and must be read in conjunction with *Reporting Standard GRS 001 Reporting Requirements* (GRS 001), including the general instruction guide, and *Prudential Standard GPS 118 Capital Adequacy: Operational Risk Charge* (GPS 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 the capital standards.

### Application and commencement

3. 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 July 2023.

### Information required

4. An 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, an insurer must provide the information required by this Reporting Standard:

- (a) in respect of each quarter based on the financial year of the insurer; and

- (b) 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. 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.

7. 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.

8. The information required by this Reporting Standard in respect of an insurer 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 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).

9. APRA may, in writing, grant an insurer an extension of a due date in paragraph 8, 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, an insurer is nonetheless required to submit the information required no later than the due date.

## Quality control

10. 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:

- (a) 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
  - (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 GPS 310 Audit and Related Matters*.
11. 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

12. When an officer, or agent, of an insurer 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.
13. If the information required by this Reporting Standard is provided by an agent who submits the information on the insurer's behalf, the insurer must:
- (a) obtain from the agent a copy of the completed information provided to APRA; and
  - (b) retain the completed copy.
14. 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:
- (a) the Principal Executive Officer of the insurer; or
  - (b) the Chief Financial Officer of the insurer.

## Variations

15. APRA may, by written notice to the insurer, vary the reporting requirements of this Reporting Standard in relation to that insurer.

## Transition

16. An insurer 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 insurer 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 an insurer 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 insurer is still required to provide any overdue reporting documents in accordance with the old reporting standard.

## Interpretation

17. In this Reporting Standard:

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

***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 this Reporting Standard, 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.

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 GRS 118.0

## Operational Risk Charge

### 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.

Any specific combination of values in the table must not appear on more than one row in that table when reported.

#### Definitions

Terms in ***bold italics*** are defined in this Definitions section of these instructions.

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<b><i>Operational risk charge for business that is not inwards reinsurance (ORCNI)</i></b>	<p>This is the operational risk charge relating to business written directly by the reporting insurer.</p> <p>This is calculated using the formula in accordance with GPS 118.</p>
<b><i>Operational risk charge for inwards reinsurance business (ORCI)</i></b>	<p>This is the operational risk charge relating to the reporting insurer's inwards reinsurance business.</p> <p>This is automatically calculated using the formula in accordance with GPS 118.</p>
<b><i>ORCI - central estimate of net insurance liabilities</i></b>	<p>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 <i>Prudential Standard GPS 340 Insurance Liability Valuation</i> (GPS 340).</p> <p>The OCL and PL relate to business written directly by the reporting insurer.</p>
<b><i>ORCI - GWP for the 12 months ending on the date 12 months prior to the reporting</i></b>	<p>This is the value of written premium revenue (gross of reinsurance), 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.</p> <p>Written premium revenue is the amount charged in relation to accepting risk from the insured. For the purposes of the Operational</p>

<i>date</i>	Risk Charge calculation, this includes levies imposed by state and territory governments, and revenue relating to portfolio transfers and unclosed business.
<b><i>ORCI - GWP for the 12 months ending on the reporting date</i></b>	<p>This is the value of written premium revenue (gross of reinsurance), relating to the reporting insurer's inwards reinsurance business, recognised for the 12 months ending on the reporting date.</p> <p>Written premium revenue is the amount charged in relation to accepting risk from the insured. For the purposes of the Operational Risk Charge calculation, this includes levies imposed by state and territory governments, and revenue relating to portfolio transfers and unclosed business.</p>
<b><i>ORCNI - Central estimate of net insurance liabilities</i></b>	This is the value, relating to the 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 340.
<b><i>ORCNI - GWP for the 12 months ending on the date 12 months prior to the reporting date</i></b>	<p>This is the value of written 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.</p> <p>Written premium revenue is the amount charged in relation to accepting risk from the insured. For the purposes of the Operational Risk Charge calculation, this includes levies imposed by state and territory governments, and revenue relating to portfolio transfers and unclosed business.</p>
<b><i>ORCNI - GWP for the 12 months ending on the reporting date</i></b>	<p>This is the value of written premium revenue, relating to business written directly by the reporting insurer, recognised for the 12 months ending on the reporting date</p> <p>Written premium revenue is the amount charged in relation to accepting risk from the insured. For the purposes of the Operational Risk Charge calculation, this includes levies imposed by state and territory governments, and revenue relating to portfolio transfers and unclosed business.</p>

## Specific instructions

### Reporting basis

Report items relating to the Operational Risk Charge

Report all items gross of any associated outwards reinsurance expense.

### Units of measurement

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

**Table 1: Operational Risk Charge**

<b>Column 1</b>	Report the value for each of the items listed below.
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### 1. Operational Risk Charge for inwards reinsurance business (ORCI)

<b>Item 1</b>	The <b>ORCI</b> is a derived item and is calculated using the formula in accordance with GPS 118.
<b>Item 1.1</b>	Report the <b>ORCI - GWP for the 12 months ending on the reporting date.</b>
<b>Item 1.2</b>	Report the <b>ORCI - GWP for the 12 months ending on the date 12 months prior to the reporting date.</b>
<b>Item 1.3</b>	Report the <b>ORCI - central estimate of net insurance liabilities.</b>

### 2. Operational Risk Charge for business that is not inwards reinsurance (ORCNI)

<b>Item 2</b>	The <b>ORCNI</b> is a derived item and is calculated using the formula in accordance with GPS 118.
<b>Item 2.1</b>	Report the <b>ORCNI - GWP for the 12 months ending on the reporting date.</b>
<b>Item 2.2</b>	Report the <b>ORCNI - GWP for the 12 months ending on the date 12 months prior to the reporting date.</b>
<b>Item 2.3</b>	Report the <b>ORCNI - central estimate of net insurance liabilities.</b>