



Financial Sector (Collection of Data) (reporting standard) determination No. 78 of 2023

Reporting Standard GRS 118.0.G 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. 12 of 2016, including *Reporting Standard GRS 118.0 _G Operational Risk Charge (Level 2 Insurance Group)* made under that Determination; and
- (b) determine *Reporting Standard GRS 118.0.G 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.G 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.G 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.G Operational Risk Charge comprises the document commencing on the following page.



Reporting Standard GRS 118.0.G

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 Level 2 insurance group'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 a parent entity of a Level 2 insurance group as defined in *Prudential Standard GPS 001 Definitions* (GPS 001). This Reporting Standard applies for reporting periods ending on or after 1 July 2023. The parent entity of a Level 2 group is required to ensure that each requirement in this Reporting Standard is complied with.

Information required

4. The parent entity of a Level 2 insurance group must provide APRA with the information required by this Reporting Standard in respect of the Level 2 insurance group 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, the parent entity of a Level 2 insurance group must provide the information required by this Reporting Standard:
 - (a) in respect of the first half year based on the financial year of the Level 2 insurance group on an unaudited basis; and
 - (b) in respect of each financial year of the Level 2 insurance group on an audited basis.

Note: The annual information required by paragraphs 4, 5 and 6(b), together with certain annual information required by other reporting standards, will form part of the Level 2 insurance group's annual accounts within the meaning of GPS 001. *Prudential Standard GPS 310 Audit and Related Matters* contains the relevant provisions governing audits.

7. If, having regard to the particular circumstances of a Level 2 insurance group, 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 to the parent entity, change the reporting periods, or specify reporting periods, for the particular Level 2 insurance group.
8. The information required by this Reporting Standard in respect of a Level 2 insurance group must be provided to APRA:
 - (a) in the case of half yearly information, within three months 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: GPS 310 requires a Level 2 insurance group to ensure that its Group Auditor conducts a limited assurance review of the group's annual accounts. Accordingly, the Group Auditor's report(s) as required by GPS 310 (relating to the information required by paragraph 4) 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 the parent entity of a Level 2 insurance group 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, the parent entity of a Level 2 insurance group is nonetheless required to submit the information required no later than the due date.

10. On the written application of the parent entity of a Level 2 insurance group, APRA may by notice in writing to the parent entity exclude the requirement under subparagraph 6(a) to provide half yearly information.

Quality control

11. The information provided by the parent entity of a Level 2 insurance group under this Reporting Standard must be the product of systems, processes and controls that have been reviewed and tested by the Group Auditor of the Level 2 insurance group. This will require the Group Auditor to review and test the Level 2 insurance group's systems, processes and controls designed to enable the group 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 Group 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* (GPS 310).
12. All information provided by the parent entity of a Level 2 insurance group under this Reporting Standard must be subject to systems, processes and controls developed by the Level 2 insurance group for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the parent entity of the Level 2 insurance group to ensure that an appropriate set of policies and procedures for the authorisation of data submitted to APRA is in place.

Authorisation

13. When an officer, or agent, of a parent entity of a Level 2 insurance group 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.
14. If the information required by this Reporting Standard is provided by an agent who submits the information on the parent entity of a Level 2 insurance group's behalf, the parent entity of a Level 2 insurance group must:
 - (a) obtain from the agent a copy of the completed information provided to APRA; and
 - (b) retain the completed copy.
15. An officer, or agent, of a parent entity of a Level 2 insurance group who submits the information under this Reporting Standard for, or on behalf of, the parent entity of a Level 2 insurance group must be authorised by either:
 - (a) the Principal Executive Officer of the parent entity of the Level 2 insurance group; or
 - (b) the Chief Financial Officer of the parent entity of the Level 2 insurance group.

Variations

16. APRA may, by written notice to the parent entity of a Level 2 insurance group, vary the reporting requirements of this Reporting Standard in relation to that Level 2 insurance group.

Transition

17. A parent entity of a Level 2 insurance group 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 parent entity of a Level 2 insurance group 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 parent entity of a Level 2 insurance group 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 parent entity of a Level 2 insurance group 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 GPS 001; and
- (b) the following definitions are applicable:

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 parent entity of a Level 2 insurance group, by whatever name called;

financial year means the financial year (within the meaning in the *Corporations Act 2001*) of the parent entity of a Level 2 insurance group;

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;

Group Auditor has the meaning given in GPS 310;

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-authorized reinsurer;

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

reporting period means a period mentioned in subparagraph 6(a) or 6(b) or, if applicable, paragraph 7.

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 GRS 118.0.G

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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<i>Operational risk charge for business that is not inwards reinsurance (ORCNI)</i>	This is the operational risk charge relating to business written directly by the reporting Level 2 insurance group. This must be calculated using the <i>ORCNI</i> formula in accordance with GPS 118.
<i>Operational risk charge for inwards reinsurance business (ORCI)</i>	This is the operational risk charge relating to the reporting Level 2 insurance group's inwards reinsurance business. This is a derived item and is calculated using the <i>ORCI</i> formula in accordance with GPS 118.
<i>ORCI - central estimate of net insurance liabilities</i>	This is the value, relating to the reporting Level 2 insurance group'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). The OCL and PL relate to business written directly by the reporting Level 2 insurance group. Under GPS 340, a Level 2 insurance group may use accounting entries to determine its insurance liabilities. For the purposes of this item, where accounting entries have been used to determine net insurance liabilities, the Level 2 insurance group must use the accounting net insurance liabilities instead of the net central estimate.
<i>ORCI - GWP for the 12 months ending</i>	This is the value of written premium revenue (gross of reinsurance), relating to the reporting Level 2 insurance group's inwards reinsurance business, recognised for the 12 months ending on the date that is 12

<i>on the date 12 months prior to the reporting date</i>	<p>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>
<i>ORCI - GWP for the 12 months ending on the reporting date</i>	<p>This is the value of written premium revenue (gross of reinsurance), relating to the reporting Level 2 insurance group'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>
<i>ORCNI - Central estimate of net insurance liabilities</i>	<p>This is the value, relating to the business written directly by the reporting Level 2 insurance group, 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.</p> <p>Under GPS 340, a Level 2 insurance group may use accounting entries to determine its insurance liabilities. For the purposes of this item, where accounting entries have been used to determine net insurance liabilities, the Level 2 insurance group must use the accounting net insurance liabilities instead of the net central estimate.</p>
<i>ORCNI - GWP for the 12 months ending on the date 12 months prior to the reporting date</i>	<p>This is the value of written premium revenue, relating to business written directly by the reporting Level 2 insurance group, 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>
<i>ORCNI - GWP for the 12 months ending on the reporting date</i>	<p>This is the value of written premium revenue, relating to business written directly by the reporting Level 2 insurance group, 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.

Intra-group exposures

The Operational Risk Charge for a Level 2 insurance group is calculated after consolidation of intra-group exposures. 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.
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1. Operational Risk Charge for inwards reinsurance business (ORCI)

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

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

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