



Australian Government

Australian Government response to the Senate Economics Legislation Committee report:

An inquiry into the Private Health Insurance (Prudential Supervision) Bill 2015
[Provisions] and related bills.

MARCH 2017

Senate Economics Legislation Committee

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Government Response

Recommendation 1

- Following the commencement of the regime for the prudential regulation of private health insurers by the Australian Prudential Regulation Authority (APRA), APRA should develop and publish guidelines that seek to assist the private health insurance industry.

APRA meets regularly with the industry representative bodies for the private health insurance industry to discuss matters of mutual interest and maintains open and transparent engagement with them.

APRA has undertaken a range of actions in relation to guidance to assist the private health insurance industry:

- APRA has published a three year plan to comprehensively review the prudential framework for private health insurers (refer <http://www.apra.gov.au/PHI/consultations/Pages/prudential-policy-outlook.aspx>). As part of the review program, APRA released for consultation a prudential practice guide (PPG) and draft prudential standard on risk management in December 2016. PPGs are intended to assist insurers to understand their obligations under the prudential standards and provide APRA's view of better practice. The industry has the opportunity to provide comment on the PPG and prudential standard before they are finalised.
- APRA regularly publishes guidance materials to assist private health insurers with the reporting of data to APRA under the *Financial Sector (Collection of Data) Act 2001* and reporting standards. This material includes clarification of reporting requirements, workbooks to assist private health insurers to complete reporting forms, clarification of end of year audit requirements and information about the software used to submit data to APRA (refer <http://www.apra.gov.au/PHI/Reporting-Framework/Pages/PHI-Reporting-Framework.aspx>).
- Guidance materials to assist private insurers to apply to APRA to convert a private health insurer to for-profit status, and to notify APRA of changes to responsible persons, are available on APRA's website.
- Guidance is also available on the website to assist private health insurers and other applicants to apply to register an entity as a private health insurer (refer to <http://www.apra.gov.au/PHI/Pages/PHI-Licensing.aspx>).
- All guidance materials issued by the former Private Health Insurance Administration Council (PHIAC) continue to be available in the PHIAC archive on the APRA website (refer to <http://www.apra.gov.au/PHI/PHIAC-Archive/Pages/default.aspx>).

In addition to the guidance materials now available to the private health insurance industry on the APRA website, APRA is undertaking reviews of parts of the PHI prudential framework over the next 3 years. For example:

- In 2017, APRA expects to consult on introducing a prudential standard on business continuity management, and review the existing outsourcing and Appointed Actuary prudential standards. APRA will consider the need for new or refreshed guidance materials to assist the industry to understand their obligations under each of these prudential standards.
- APRA also plans to review the existing PHI governance standard and consult on the introduction of prudential standards on fit and proper requirements for directors, senior managers, auditors and appointed actuaries, and on the role of the auditor. APRA will consider the need for additional guidance as part of these reviews.
- APRA does not plan to review the industry's capital requirements prior to 2019 unless an issue arises which warrants an earlier review. This review will also consider the need to update existing guidance materials.

In the interim, APRA's broader set of prudential guidance applicable to other industries assist private health insurers to understand APRA's expectations of better practice, as the key principles of each guidance document are consistent on a cross-industry basis. This guidance material is readily available on APRA's website and APRA has encouraged private health insurers to familiarise themselves with these documents.