

22 May 2024

Chief Data Officer
Technology and Data Division
Australian Prudential Regulation Authority
dataconsultations@apra.gov.au

Dear Sir / Madam,

Response to APRA's consultation re enhancements to quarterly reporting

We welcome the opportunity to respond to your proposed enhancements to quarterly insurance reporting. This response is focussed on the considerations for Private Health Insurance. **Finity's comments on general insurance statistics are provided in a separate submission**

1 Background

APRA has initiated a consultation on proposed enhancements to the content and presentation of its suite of quarterly industry aggregate insurance statistical publications (quarterly insurance publications).

APRA made significant changes to its capital and reporting framework for health insurers with effect from 1 July 2023. These changes impact the data available to be presented, and will create a discontinuity in some of the time series financial data that is able to be gleaned from APRA's publications.

2 Our observations

Overall, we support APRA's intent to modernise the reported industry statistics and welcome the clarity offered on the future direction of the quarterly insurance publications.

We highlight below a number of key areas for comment, and some considerations which, though outside of the scope of APRA's consultation, could be impacted if APRA was to align reporting metrics or presentation across all aspects of private health insurance industry reporting.

- 1 Access to underlying data: Finity strongly supports APRA's proposal to make a flat file of the data behind any visualisation tool available for download. Finity would be supportive of any APRA efforts that might be made to create some longer time series of certain metrics or reporting elements where they have remained unchanged in definition over time.
- 2 Continued consultation: Noting that the presentation layer provided is illustrative only, we would encourage APRA to engage with stakeholders or form a small working party with stakeholder representatives to take feedback on the design and/or future evolution of this tool, including how the visualisation might deal with longer time series data.
- 3 Evolution: we believe there would be value in APRA committing to a regular review cycle of industry statistics, including opportunity for consultation or more explicit opportunities to raise suggestions for enhancement.

Sydney Level 10, 68 Harrington Street,
The Rocks, NSW 2000
T +61 2 8252 3300

Melbourne Level 23, 55 Collins Street
Melbourne, VIC 3000
T +61 3 8080 0900

Auckland Level 5, 79 Queen Street,
Auckland, NZ 1010
T +64 9 306 7700

- 4 Insight & information: we believe there would be value in APRA continuing to offer a supporting narrative or overlay to industry statistics, particularly where there are disruptions or discontinuities in longer-term trends.
- 5 Annual reporting: While not in scope of APRA’s consultation, we note the value placed on APRA annual reporting by all industry stakeholders, and believe that publication of individual insurer results should be retained for annual reporting only. It is important that the first APRA annual reporting following the changes introduced by AASB17 and the new Capital Standards is comparable to the FY23 report or else the differences or lack of comparability explained. We would welcome the opportunity for further consultation on any changes in the presentation or metrics incorporated into this key report.
- 6 Quarterly reporting: an important principle is that the level of transparency offered should be at least that which is available currently. To this end we suggest APRA considers making a split of the reported insurance liabilities into the LIC and LRC available, consistent in intent in our opinion, with the current separate presentation of the outstanding claims liabilities and premium liabilities.

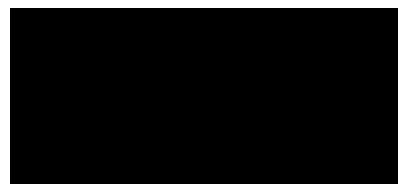
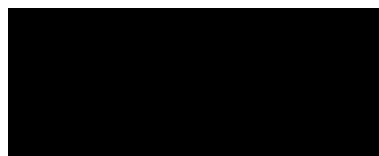
In addition, given the harmonisation of the PHI capital framework with that used in General Insurance, there should be a harmonisation of the detail as far as practicable across the industries APRA regulates. We highlight that APRA’s proposal splits insurance benefits into hospital and general treatment but does not offer the same for premium revenue which would be a straight forward way to support tracking of gross margin performance for these two segments of the market.

APRA’s proposal also reports a single line of the Insurance Risk Charge and we would support a more granular presentation of this element, at least down to the balance sheet liability risk charges distinct from the FER which would bring Private Health Insurance reporting more in line with that available in General Insurance.

- 7 Finally, we note that some insurer information supplied to APRA is not consistently published: reporting product tier membership statistics and other elements from the PHI Reforms collection in the APRA 605 return on a more regular basis would be beneficial to industry stakeholders. We note the recent publication of this data by the Department of Health and Aged Care was the first time in more than three years that this data was shared with the public. We would support publication of this data on at least an annual basis, and again would encourage APRA (or the Department) to engage in stakeholder consultation on the usefulness and evolution of this data collection.

We would be happy to further discuss any of these matters if that would be of service to your team.

Yours sincerely



Fellow of the Institute of Actuaries of Australia

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