

Keeping the status quo: the transition from PHIAC to APRA

After much anticipation, APRA has finally released a discussion paper, proposed prudential standards and reporting framework for their new role as the industry supervisor which is expected to take affect from 1 July 2015. Although not unexpected the proposed standards are keeping with the status quo from PHIAC's previous standards and framework.

This is a sigh of relief albeit momentary, as key stakeholders will now sit back and wait for APRA's next move. Thankfully, the releases from 31 March 2015 do not indicate that any material changes will occur until at least 1 July 2016 giving APRA and the funds time to get well acquainted with each other. At Grant Thornton we have witnessed APRA's swift hand of authority in their other regulated industries and won't be surprised if they hit the ground running on 1 July 2015 with consulting on reforms.

From the discussion paper we note few changes are occurring, with many seeing a rebranding of the existing standards and framework implemented by PHIAC. Some of those key changes include:

- Provisional rules to facilitate the reporting requirements for 30 June 2015 include the submission of reports to APRA rather than PHIAC for the period then ended.
- New terminologies for each prudential standard now known as 'Health Prudential Standard' or 'HPS'.
- Adapting the definition of 'officer' from the previous PHI Rules to 'senior management responsibilities' in the new PHI(PS) Act.
- Declaration of certain data under section 57 of the APRA Act to ensure continued release and publication of data previously available from PHIAC 1 and PHIAC 2.
- Inclusion of ability for APRA to make 'adjustments and exclusions' in HPS 100, HPS 110 and HPS 510. This is consistent with APRA's approach in other regulated industries.

- Amendments so that certain decisions under the previous prudential standards are no longer reviewable by the Administrative Appeals Tribunal (AAT) including a solvency supervisory adjustment amount, capital adequacy supervisory adjustment amount or determination by PHIAC not to approve a person as an independent director or not to approve a person as a chairperson of a board.
- Change of notification timeframe for the appointment and cessation of the Appointed Actuary from 28 to 14 days.

We've provided a quick comparison to align the existing Prudential Framework administered by PHIAC with the proposed Prudential Framework under APRA:

Standard	PHIAC		APRA
Solvency	Schedule 2 of Private Health Insurance (Health Benefits Fund Administration) Rules 2007	-----▶	HPS 100 Solvency
Capital Adequacy	Schedule 3 of Private Health Insurance (Health Benefits Fund Administration) Rules 2007	-----▶	HPS 110 Capital Adequacy
Governance	Schedule 1 of Private Health Insurance (Health Benefits Fund Administration) Rules 2007	-----▶	HPS 510 Governance
Appointed Actuary	Schedule 2 of Private Health Insurance (Health Benefits Fund Administration) Rules 2007	-----▶	HPS 320 Actuarial and Related Matters
Disclosure	Schedule 3 of Private Health Insurance (Health Benefits Fund Administration) Rules 2007	-----▶	HPS 350 Disclosure to APRA
Outsourcing	Schedule 4 of Private Health Insurance (Health Benefits Fund Administration) Rules 2007	-----▶	HPS 231 Outsourcing
Definitions		-----▶	HPS 001 Definitions

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We are therefore ideally placed to help you prepare for and deal with such change by drawing on our extensive experience of working with APRA regulated entities and the Private Health Insurance industry to conduct an APRA Readiness Review of your current practices against APRA's requirements.

This review will identify any gaps in your current practices, determine what you need to do to ensure compliance, and assist you to develop an action plan that will not only ensure that you will be compliant with relevant Prudential Standards but that you achieve best practice.

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