

Disclosures required under Prudential Standard HPS 110 Capital Adequacy

Defence Health must comply with prudential capital requirements to maintain adequate capital against the risks associated with its activities. The new Private Health Insurance Capital Framework came into effect on 1 July 2023 and included a revised HPS 110 Capital Adequacy standard.

As required by HPS 110, Defence Health has a Board-approved Capital Management Plan (CMP) which defines its approach to risk and capital management and sets out the target level of capital, which exceeds the minimum regulatory prescribed capital requirement, together with triggers and actions to follow in the case of an adverse stress event.

Defence Health's capital management objectives are to safeguard its ability to continue as a going concern, so that it has the capacity to pay all eligible customer benefits, invest in health management programs to support members, and to ensure that the business can meet all financial commitments.

The table below sets out Defence Health's annual disclosure of its APRA regulatory capital position at 30 June 2024 as submitted to APRA. Defence Health operates a General Fund (GF) and a Health Benefits Fund (HBF) within the Insurer entity and is required to disclose capital information for both funds, and the total Insurer as outlined below.

30 June 2024	HBF \$'000	GF \$'000	Insurer \$'000
Capital Base			
Net Assets	528,088	20,918	549,006
Regulatory Adjustments	3,921	-	3,921
Common Equity Tier 1 Capital	532,009	20,918	552,928
Additional Tier 1 and 2 Capital	-	-	-
Total Capital Base	532,009	20,918	552,928
Prescribed Capital Amount			
Insurance Risk Charge	79,167	-	79,167
Asset Risk Charge	109,060	251	109,311
Operational Risk Charge	13,455	-	13,455
Less: Aggregation Benefit	41,206	-	41,206
Total Prescribed Capital Amount	160,476	251	160,727
<i>Capital Adequacy Multiple</i> <i>(Total Capital Base divided by Total Prescribed Capital Amount)</i>	3.32	83.27	3.44