

Media Release

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Compliance costs insurers \$100 million

Compliance issues now cost general insurers more than \$100 million a year and consumed between 10% and 25% of senior management and Board time, the Insurance Council of Australia's NSW conference was told today.

ICA's Executive Director, Alan Mason, told the conference that member companies had reported a dramatic increase in overall compliance costs over the past 5 to 10 years.

For larger insurers (over 500 employees), ongoing compliance costs ranged from \$18 - 20 million a year. Two medium size insurers had estimated that their total compliance costs amounted to \$5.5 million and \$7.4 million respectively, while smaller insurers reported compliance costs in the order of \$5 million per year.

"There is a high level of complexity in insurance regulation, characterised by overlapping responsibilities of regulators, inconsistent and sometimes unnecessary regulation.

"There has also been rapid change. Since 1996, significant changes to the regulation of insurance have been initiated or introduced almost every year and this has a significant cumulative effect. This has also added to the volume of regulation, with new regulation being introduced without existing regulation being repealed."

Mr Mason welcomed the Australian Government Regulation Taskforce and regulation reviews by NSW and Queensland.

ICA's recommendations to the Australian Government Regulation Taskforce included:

- Subjecting proposed regulation to a cost-benefit test;
- Improving the accountability of regulators by establishing a Bureau of Financial Sector Regulation to oversee the implementation of regulation;
- Utilising post-implementation reviews; and
- Improving the regulatory environment for insurance by removing overlaps and inconsistencies in the regulation of insurance.

"With a decade passed since the Wallis Inquiry, it is a timely opportunity to take stock of the regulatory burden. ICA commends the Federal Government and those States that have made steps towards reducing red tape," Mr Mason said.

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