



Ms Maryanne Hinwood
Chief Risk Officer, Enterprise Strategy and Risk
Australian Prudential Regulation Authority
Level 12, 1 Martin Place
Sydney NSW 2000

17 November 2017

Dear Ms Hinwood

APRA REGULATOR PERFORMANCE FRAMEWORK – EXTERNAL VALIDATION

The Insurance Council of Australia¹ (the Insurance Council) appreciates the opportunity to provide feedback to the Australian Prudential Regulation Authority (APRA) on its self-assessment of performance in 2016-17 against the Commonwealth Government's Regulator Performance Framework (the Framework).

The Insurance Council broadly agrees with APRA's self-assessment and supports APRA's continual process of self-assessment as a key component of improving the general insurance industry's regulatory environment.

In this respect, we would like to point out some areas for potential improvement. Provided further below are some specific observations about APRA's self-assessment against the key performance indicators (KPIs) underpinning the Framework.

The Insurance Council considers that APRA has a sound understanding of the current and emerging prudential risks facing the general insurance industry, and that its communication with the industry has generally been clear, targeted and effective (KPI 1 and KPI 2)².

With respect to KPI 3 and KPI 4³, the Insurance Council considers that there are significant opportunities for APRA to work closely with the general insurance industry, and other financial regulators and stakeholders, to help minimise regulatory burden, particularly given the broad adaptation to more innovative and efficient technologies.

For example, we consider that APRA should work closely with other government agencies – particularly ASIC – on its future data collection solution (APRA's D2A replacement project), to ensure that there is no regulatory overlap and, where possible, APRA's future data collection platform is also able to meet any identified data requirements of other agencies.

¹ The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent more than 90 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. June 2017 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross written premium of \$45 billion per annum and has total assets of \$124.9 billion. The industry employs approximately 60,000 people and on average pays out about \$135 million in claims each working day.

Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

² KPI 1 and KPI 2: Regulators do not unnecessarily impede the efficient operation of regulated entities; and Communication with regulated entities is clear, targeted and effective.

³ KPI 3 and KPI 4: Actions undertaken by regulators are proportionate to the regulatory risk being managed; and Compliance and monitoring approaches are streamlined and coordinated.

Notwithstanding this, we appreciate the broad level of engagement with APRA so far on its project and look forward to more targeted consultation from APRA as the project advances.

With respect to KPI 5 and KPI 6⁴, the Insurance Council considers that APRA has maintained open and transparent supervisory processes and has been generally effective in actively contributing to the continuous improvement of prudential regulation frameworks.

In relation to APRA's performance metrics, we consider that these could be significantly improved through incorporating more quantifiable measures – additional metrics that objectively measure and benchmark performance would provide a more rigorous and historically comparable method for APRA to assess its performance against. As you may be aware, the Insurance Council has provided detailed feedback⁵ to APRA on this matter.

While the Insurance Council appreciates that identifying quantifiable performance metrics for regulatory activities may be challenging, we believe that there is significant benefit to rigorously measuring APRA's performance. In particular, this would help minimise the compliance cost and regulatory burden imposed on industry and ensure that APRA optimises the use of its resources to efficiently and effectively deliver its regulatory objectives.

Lastly, we understand that following each review cycle, APRA must consider stakeholder feedback and whether improvements to its performance metrics are necessary for the next review period. Once APRA has considered our feedback, we look forward to being informed of how APRA intends to address the points that we have raised in this submission.

If you have any questions or comments in relation to our feedback, please contact John Anning, the Insurance Council's General Manager Policy, Regulation Directorate, on tel: (02) 9253 5121 or email: janning@insurancecouncil.com.au.

Yours sincerely



Robert Whelan
Executive Director & CEO

⁴ KPI 5 and KPI 6: Regulators are open and transparent in their dealings with regulated entities; and Regulators actively contribute to continuous improvement of regulatory frameworks.

⁵ The Insurance Council of Australia's 21 May 2015 [submission](#) to APRA refers.