

23 September 2020

Ms Maryanne Hinwood
Senior Manager, Group Strategy and Governance
Australian Prudential Regulation Authority
Level 12, 1 Martin Place
SYDNEY NSW 2000

Dear Ms Hinwood

APRA Regulator Performance Framework – External Stakeholder Consultation

The Insurance Council of Australia (**Insurance Council**)¹ appreciates the opportunity to provide APRA with feedback on its proposed performance measures under the Regulator Performance Framework (**RPF**), as outlined in your letter to Mr Whelan, former CEO of the Insurance Council, on 12 August 2020 (**APRA Letter**).

As explained in the APRA Letter, APRA's existing performance measures under the RPF were established in April 2019 and are currently being reviewed. Further, APRA is proposing to streamline the existing 141 metrics to 37 so as to improve accountability, adopt better practice and reduce duplication.

We note that the APRA Letter does not recommend a change to APRA's existing six outcomes-based key performance indicators (**KPIs**), rather the APRA Letter recommends a change to the metrics by which APRA's performance against those KPIs is measured. The APRA Letter proposes a range of both quantitative and qualitative metrics. The Insurance Council submits it is important that those metrics be objective and measurable.

The Insurance Council generally endorses the suggested metrics in Attachment A to the APRA letter. However, we suggest, that if the metrics are to serve the purpose of improving accountability, then there needs to be greater clarity and transparency as to how some of them will be established.

In particular, we note that all six KPIs involve the metric ">= 80% of APRA stakeholders agree" with a particular proposition put to them. The source of that metric is to be a new biennial stakeholder survey question. We recommend that further thought be given as to

¹The Insurance Council is the representative body of the general insurance industry in Australia. ICA members represent about 95 per cent 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. 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). July 2020 Australian Prudential Regulation Authority statistics show that the general insurance industry generates gross written premium of \$51.4 billion a year and has total assets of \$135.4 billion. The industry employs about 60,000 people and on average pays out about \$171.1 million in claims each working day. Over the 12 months to July 2020 the industry's net profit after tax (NPAT) was \$1.0 billion – a 70.5 per cent decrease from the prior year's NPAT of \$3.5 billion. The industry's underwriting result was \$1.4 billion, falling by 39 per cent from \$2.3 billion in the prior year.

the basis on which the sample population is selected. This will help ensure that the survey results are representative and not weighted towards particular participants.

Further, if regulated entities are to be surveyed, then there needs to be information provided as to the measures that APRA will employ in the design and delivery of the questions to ensure that responses can be provided in an anonymous way. This will facilitate greater candour in responses. For example, APRA may wish to engage a third-party provider to conduct the survey and as a part of the contractual terms, the provider will commit to not share the raw data with APRA.

We also note that in relation to KPI 3 “Actions undertaken by regulators are proportionate to the regulatory risk being manage” and KPI 3iii “Regulators recognise the compliance record of regulated entities”, APRA has not proposed any quantitative metric for its performance. Instead, the intention is that measurement “be addressed through qualitative narrative and examples”. The Insurance Council would prefer that further detail be provided as to the process APRA will adopt to select examples and develop that qualitative narrative. This would be guard against any self-selection bias and ensure that APRA’s performance is objectively measured.

If you have any questions or comments in relation to our submission please contact John Anning, the Insurance Council's Head, Regulatory Policy, on telephone: 02 9253 5121 or email: janning@insurancecouncil.com.au.

Yours sincerely



Andrew Hall
Executive Director and CEO