

29 January 2019

Mr Andrew Fawcett
Senior Executive Leader, Strategic Policy
Australian Securities and Investments Commission
Level 7, 120 Collins Street
MELBOURNE VIC 3000

Dear Mr Fawcett

ASIC'S PERFORMANCE AGAINST THE REGULATOR PERFORMANCE FRAMEWORK

The Insurance Council of Australia¹ (Insurance Council) appreciates the opportunity to provide feedback to the Australian Securities and Investments Commission (ASIC) on its self-assessment of performance in 2017-18 against the Commonwealth Government's Regulator Performance Framework (the Framework).

The Insurance Council broadly agrees with ASIC's self-assessment and supports ASIC's process of continual self-assessment as a key component of improving the general insurance industry's regulatory environment. Provided below are some specific observations about ASIC's self-assessment against the key performance indicators (KPIs) underpinning the framework.

With respect to KPI 1 and 6², the Insurance Council's view is that ASIC has continued to demonstrate an understanding of current and emerging market issues in the financial sector, and has generally demonstrated a commitment to helping ensure its activities do not unnecessarily impede the efficient operation of regulated businesses. In this regard, the Insurance Council welcomes ASIC's willingness to meet with general insurers to discuss the key issues which ASIC will need to address how the Product Design and Distribution Obligations (PDDO) regime will operate in practice. Given the principles-based nature of the PDDO legislation, an early focus on clarifying its application will facilitate timely and efficient compliance.

¹ The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent approximately 95 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. September 2018 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross written premium of \$47.2 billion per annum and has total assets of \$121.2 billion. The industry employs approximately 60,000 people and on average pays out about \$124.8 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 6: Regulators do not unnecessarily impede the efficient operation of regulated entities; and Regulators actively contribute to continuous improvement of regulatory frameworks

The Insurance Council considers that ASIC has been generally effective in actively contributing to the continuous improvement of regulatory frameworks, including through its representation at an international level, for example on the IAIS market conduct working group.

In regards to KPI 2 and KPI 5³, the Insurance Council considers that ASIC's communication with industry has been generally clear, targeted and effective. For example, the Insurance Council appreciates the consultation undertaken by ASIC on proposals to introduce a deferred sales model for the sale of add-on insurance products and warranties through caryard intermediaries. Discussions between the Insurance Council's members and ASIC about the potential for innovative forms of disclosure at the point of product introduction and during deferral period provide an example of the way in which industry and ASIC can work together to improve consumer decision making.

With respect to KPI 3 and KPI 4⁴, the Insurance Council considers that there are significant opportunities for ASIC to work more closely with the general insurance industry, and other financial regulators and stakeholders, to help reduce the cost of compliance. For example, there will be opportunities for ASIC to work with the ACCC to avoid regulatory overlap following a recent amendment to the ASIC Act that enables ASIC to consider competition in the financial system. Similarly, the Insurance Council is aware that both ASIC and APRA are conducting enforcement strategy reviews. Coordination on enforcement approaches between regulators would lead to less regulatory overlap and support the efficient operation of regulated entities.

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 (02) 9253 5121 or janning@insurancecouncil.com.au.

Yours sincerely



Robert Whelan
Executive Director and CEO

³ KPI 2 and KPI 5: Communication with regulated entities is clear, targeted and effective; and Regulators are open and transparent in their dealings with regulated entities.

⁴ 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.