

House of Representatives Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Review of the APRA Annual Report (Second Report) 2019

Division/Agency: Australian Prudential Regulation Authority
Question No: APRA10QW
Topic: Red tape and regulation
Reference: Question in writing
Member: Jason Falinski MP

Question:

The health industry has advised that, following APRA taking over from PHIAC, the amount of costly red tape and regulation has skyrocketed and that this is pushing up premiums for consumers. What are you doing to reduce costly red tape and regulation?

Answer:

The management expense ratio for private health insurers (PHIs) over the 5 years since APRA fully took over supervision of the industry (2016-2020) has averaged 8.90%. The management expense ratio in the five years prior to the APRA being involved in PHI (2010-2014) averaged 8.97%. This suggests that regulatory costs have not driven administrative expenses materially higher since APRA commenced as the prudential regulator for the PHI industry.

Moreover, it is important to remember that changes to insurers' premiums are approved by the Government. While this is ultimately a matter for the Government to determine, which it does taking into account a wide range of factors, average premium increases have been lower over the period since APRA took over prudential oversight of the industry than in prior years.

Notwithstanding the above, APRA is conscious of the need to address unnecessary compliance costs and would welcome input from industry on further ways that this can be achieved.

In light of COVID-19, APRA has made a number of announcements to reduce the regulatory burden on the financial sector at the current time. These were detailed in an attachment to our opening statement at the commencement of our last appearance before the Committee: <https://www.apra.gov.au/news-and-publications/opening-statement-to-house-of-representatives-standing-committee-on-1>