

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates, 1 to 4 June 2004

**Question: Bud 94**

**Topic:** APRA - Prudential regulation of direct offshore foreign insurers

**Hansard Page:** E63

Acting Chair asked:

While you accept the frameworks which other countries have in place that you recognise as equal to yours or better than yours, at the same time you would not abrogate any responsibilities in terms of filing returns and certain compliance to make sure that the people, whether insured or credited in Australia, are protected. What is the nature of APRA's oversight in circumstances where foreign insurers offering insurance in Australia are regulated overseas?

**Mr Somogyi**—They are some of the details that we have to work through. It is too early for us to give you a detailed response to that question. If we could take that on notice and respond when this has been worked through.

**ACTING CHAIR**—We would like you to take that on notice.

Answer:

APRA has further considered this issue. APRA directly supervises a number of insurers who have established either a branch operation in Australia or have set up a subsidiary insurance company. These entities are supervised in an identical fashion to Australian owned and operated insurers authorised by APRA.

The suggested framework from the 'Potts Review' is that direct offshore foreign insurers may operate in Australia if APRA has determined that the insurer is domiciled in a country with a comparable supervision regime to that in Australia. APRA has been giving consideration to the criteria which would be used to determine what 'comparable' might mean in this context. There have also been discussions between APRA, ASIC and Treasury on further development of this matter.

Some considerations which will be further developed include:

- whether the regulator in the other country is a member of the International Association of Insurance Supervisors (IAIS);

## **Senate Economics Legislation Committee**

### **ANSWERS TO QUESTIONS ON NOTICE**

#### **Treasury Portfolio**

Budget Estimates, 1 to 4 June 2004

- the outcome of the IAIS member's self assessment against IAIS Core Supervision Principles (although it is not clear the extent to which these self assessments may be made available to APRA);
- the nature of the supervision regime in the overseas location – eg capital requirements, on-site visits by the regulator, robust actuarial (or comparable) involvement;
- the degree to which the offshore regulator is able, or willing, to provide APRA with reports on their assessment of the insurers international operations; and
- the extent to which the insurer writes business in its home jurisdiction (in some cases insurers are authorised in a country but do not write any business there).