

# **Senate Select Committee on Superannuation and Financial Services**

## **Main Inquiry Reference (a)**

**Submission No. 66**

**Submittor:** Mr Philip Maguire  
Deputy Chief Executive  
Insurance Council of Australia Ltd (ICA)  
Level 3, 56 Pitt Street  
SYDNEY NSW 2000  
 - (02) 9253 5100  
 - (02) 9253 5111



Insurance Council of Australia Limited ABN 50 005 617 310 Level 3 56 Pitt Street Sydney NSW 2000 Australia  
Telephone: 61 2 9253 5100 Facsimile: 61 2 9253 5111 DX 10215 Sydney Stock Exchange

Ms Sue Morton  
Secretary  
Select Committee on Superannuation and  
Financial Services  
Parliament House  
CANBERRA ACT 2600

11 August 2000

Dear Sue

### **Public Hearing - Superannuation and Financial Services - Main Inquiry**

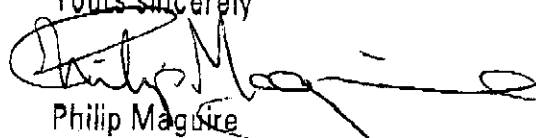
Thank you for your letter concerning the committee's interest in our comments relating to reforms to prudential supervision for general insurance companies. It is difficult to be definitive about this issue because of the fact that so much detail is not yet resolved. The general insurance industry has embraced discussions relating to APRA's Review of the Insurance Act. We agree that with legislation introduced in the early 70's, it is quite timely and appropriate that it be reviewed. However, we are still formulating our submissions on a number of the papers and issues aired by APRA.

Another specific question of the committee was whether or not the new regime would avoid recent problems seen in the industry as a result of reinsurance losses. Probably not, as recent reinsurance related issues were not so much matters of prudential supervision as they were about a series of natural catastrophes and other non-regulatory matters. However it is also important to note that even with those reinsurance issues, insurance customers lost no money.

Insofar as cost implications of regulatory changes are concerned, there will certainly be costs for the industry and possibly for consumers. However, the amount of this depends on ultimately the requirements which come out of this review. For example, if the effects on the capital required by insurance companies are significant, then it can be expected that the servicing of that capital will have flow on effects on pricing which will be borne by customers.

We would be very pleased to provide the committee with more detailed information as and when the consultation process with the relevant regulator proceeds.

Yours sincerely

  
Philip Maguire  
Deputy Chief Executive