

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY ANNUAL REPORT 2016

9QW: Declined life insurance claims

Submitted subsequent to hearing.

Mr KEOGH: What is the current status of APRA's work with ASIC to establish a new public reporting framework for life insurance claims and outcomes?

AND

10QW - Mr KEOGH: In a previous hearing APRA stated that it was concerned that insurers do not have a sufficient understanding of declined claims data which may present a prudential risk if not rectified soon. Has sufficient progress been made for APRA to no longer have such concern?

Answer:

APRA and ASIC are working together to establish a transparent public reporting regime for life insurance claims information and that work between APRA, ASIC and the industry is proceeding in line with our expectations. The two agencies released a discussion paper in May 2017 outlining the planned approach to this initiative and, at the same time, launched the first round of a pilot data collection including common definitions of data items to be reported.

Data submissions under the first round pilot collection have been received and are being jointly analysed by APRA and ASIC. All insurers provided the requested data. As anticipated by the agencies, insurers reported a range of system constraints and other issues that prevented the data from fully aligning with the reporting definitions and limited the comparability of the data.

Significant progress has been made towards the objectives of a transparent public reporting regime, with credible, reliable and comparable data. More work is necessary, both to refine the data template and definitions to take account of the lessons of the first round pilot collection, and by insurers to improve their systems and processes to allow for consistent reporting, before the issues identified by APRA and ASIC are fully addressed. APRA and ASIC expect that the ability of the insurers to report the requested data will improve over time agencies anticipate launching a second round of the pilot data collection before the end of 2017.

APRA continues to actively assess progress by insurers towards addressing risks of legacy business and systems more generally. Some insurers have done substantial work in this area and made significant investments. Further work is necessary to fully address the legacy issues raised by APRA.