

5 November 2014

Mr Pat Brennan,
General Manager, Policy Development
Policy, Statistics and International Division
Australian Prudential Regulation Authority
GPO Box 9836
SYDNEY NSW 2001

Dear Mr Brennan,

CPS 220 and CPG 220 consultation pack released on 7 October 2014

Thank you for APRA's consideration of IAG's feedback on earlier versions of CPS 220 and CPG220.

The new version with proposed changes addresses most of IAG's concerns, and we are appreciative of the time and effort applied to this latest review by APRA and the willingness to incorporate both IAG's and the industry's feedback.

Based on the proposed new version, there are only two further recommendations that IAG would wish to make.

Independent views on material risk issues (CPG220)

CPG220 paragraph 20 states that the Board and/or Board Risk Committee "*would also obtain independent views and reports*" in relation to material risks brought to their attention. While this sometimes occurs, depending on the complexity or certainty of the issue at hand, the paragraph implies an obligation on behalf of the Board and/or Risk Committee to always obtain independent reports. This is not always appropriate and we feel its best left to the Board to decide on commissioning independent reports where they think it appropriate to do so. Therefore our suggested wording change would be:

"Where ~~the~~The Board and/or Board Risk Committee think it appropriate to do so they would also obtain independent views and reports, as well as consider risk issues escalated from the risk management function"

Attachment A: Risk management declaration (CPS220)

The inclusion of the phrase "in all material respects" into the Risk Management Declaration is regarded favourably.

Insurance Australia
Group Limited
ABN 60 090 739 923

388 George Street
Sydney NSW 2000
Australia

T +61 (0)2 9292 9222
www.iag.com.au

For the purposes of paragraph 49 of this Prudential Standard, the Board must provide APRA with a risk management declaration stating that, to the best of its knowledge and having made appropriate enquiries, in all material respects:

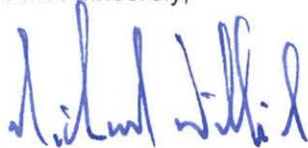
However, the wording in point (d) in the Risk Management Declaration refers to compliance with "each measure and control described in the RMS" which is potentially confusing with the intent of the materiality qualification given there are hundreds of measures and controls described in the RMS.

It is recommended that a complementary change be made to item 1 (d) in the Attachment, by removing the word "each". This could be re-stated as

(d) the institution has a RMS that complies with this Prudential Standard, and the institution has complied in all material respects with measures and controls described in the RMS;

Thank you for the opportunity to provide this further feedback on CPS 220 and CPG220.

Yours sincerely,



Michael J Wilkins
Managing Director and
Chief Executive Officer

cc: Mr Ian Laughlin, Deputy Chairman