

12 July 2013

Mr Neil Grummitt
General Manager, Policy Development
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Australian Prudential Regulation Authority
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Dear Mr Grummitt

Response to Discussion Paper re Harmonising Cross Industry Risk Management Requirements

Thank you for the opportunity to comment on the proposed new arrangements from January 2014. Ansvar is supportive of the proposal as a whole, but as a relatively small specialist commercial insurer has two concerns around the benefits of two proposals in the document

1. Requirement to appoint a Chief Risk Officer

The discussion document suggests there may be some other options for smaller insurers but under the proposed CPS220 itself Ansvar appears to have only two options;

1. To recruit a full time additional member of staff or
2. To outsource the role of CRO to a third party or part time resource

Ansvar considers that recruiting an additional full time employee as Chief Risk Officer to be uneconomic for smaller insurers. In organisations of Ansvar's size roles necessarily are broader than in larger organisations and to ensure the role is of significant seniority to carry out the CRO's duties effectively, it is logical to combine the role with that of the CFO, or another senior role such as the CEO or Appointed Actuary

At present Ansvar's CFO fulfils the role of CRO for the company, supported by an appropriately qualified Risk and Compliance Manager

An outsourced arrangement could reduce the cost if an appropriate resource could be identified but this is a sub optimal solution as a part time/third party CRO would not be able to be heavily involved in the ongoing strategic management and decision making of the business and this would reduce their understanding of the risks arising

Ansvar would like to propose an alternative approach which utilises the benefits of being part of a larger, international insurance group, Ecclesiastical Insurance Office (EIO), which has a full time CRO and a Risk Framework. The Ansvar Board sets Ansvar's Risk Framework, ensuring that Ansvar operates within the Group requirements.

Para 2.3 of the discussion paper says that 'APRA requires each APRA regulated institution to meet its prudential requirements on an individual basis. Draft CPS220 proposes that an institution which is part of a group can meet its risk management requirements on a group basis, **provided that the Board of each regulated institution within the group is satisfied that it continues to meet its individual risk management obligations**'

Ansvar's Board is able to determine this. In addition there is a reporting line from Ansvar's Board and Audit, Risk and Compliance Committee to the EIO Board and Risk Committee which gives clear line of sight to the Group CRO and Board that Ansvar is fulfilling its obligations

Ansvar would like to continue with its current model of the CFO being CRO for Ansvar itself with additional oversight being provided by the Group CRO rather than making an additional local appointment

2. Requirement to have a separate Board Risk committee

The proposed CPS510 would require Ansvar to split its existing Audit, Risk and Compliance Committee (ARCC) to create a separate Risk Committee

The membership of the ARCC is comprised of all (4) Non-Executive Directors of Ansvar and this would logically be the same group who would constitute the Risk committee. This would be acceptable under the proposed CPS

The ARCC currently has a mandate to cover Risk Management matters under its charter and routinely covers Risk matters at all meetings

Compliance with the proposed CPS510 requirements would appear to be achieved if Ansvar ran back to back Risk and Audit Committee meetings with the same committee members. It is Ansvar's view that this does not provide any additional controls compared to the existing single meeting and proposes that this arrangement be allowed to continue, following a further review of the committee charter to ensure it meets the new requirements

Yours sincerely,



Deirdre Blythe
Company Secretary
Ansvar Insurance