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John Sculli
Manager - Specialised Institutions Division
Australian Prudential Regulatory Authority
Level 21, Casselden Place
Melbourne Vic 3000

Dear Mr. Sculli,

Re: Harmonising cross-industry risk management requirements

FM Global welcomes the opportunity to make a submission in relation to the consultation package comprising the proposed risk management and governance prudential standards.

In this letter we make comment on two particular aspects of the proposed standards, namely those relating to the requirement to appoint a Chief Risk Officer (CPS 220) and the requirement for the Board Audit Committee's prior endorsement of the appointment and removal of the Head of Internal Audit (CPS 510).

CPS 220 Risk Management – Chief Risk Officer (CRO).

The draft standard requires an APRA-regulated institution's risk management function to be headed by a designated Chief Risk Officer (CRO).

In the case of a Category C insurer, it is our opinion that the risk management objectives of this standard can be achieved without the need to appoint a CRO, subject to the particular risk management arrangements in place within the institution, both in the Australian operation and its wider Group operations.

Further, the appointment of a dedicated CRO may represent a significant cost imposition to a Category C insurer without necessarily adding to the substance of the overall risk management framework.

Accordingly, an exemption or modification to this requirement should be explicitly provided in the standard in respect of Category C insurers, subject to the existence of an appropriately designed risk management framework.

CPS 510 Governance – Board Audit Committee and the Head of Internal Audit

The draft standard requires the Board Audit Committee to provide prior endorsement for the appointment or removal of the APRA-regulated institution's Head of Internal Audit. In the case of a Category C insurer, this responsibility resides with the senior officer outside Australia.

In the case of a Category C insurer, it is our opinion that the independence objectives of this standard can be achieved without the need for the senior officer outside Australia to provide endorsement of the decision to appoint or remove the Head of Internal Audit. This is particularly the case in circumstances where the Head of Internal Audit is located outside Australia and has reporting lines independent of the Australian management, such as to the wider Group Board Audit Committee.

Accordingly, an exemption or modification to this requirement should be explicitly provided in the standard in respect of Category C insurers, subject to the existence of appropriately independent reporting lines independent of the Australian management.

We would also make the more general point that these, and other elements of the draft standards, are highly prescriptive, by detailing specific roles and committee functions, and therefore inconsistent with the principles based approach to prudential standard setting and oversight espoused by APRA. In some cases, the level of detail currently included in the draft standards may be better suited to prudential guidance notes, setting out what APRA considers to be best practice.

If you would like to discuss any aspect of our submission, please feel free to contact me.

Yours sincerely,



Athol Kemp
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FM Insurance Company Limited (Australia Branch).

CC Sandra Bailey, Senior Analyst, Specialised Institutions Division, APRA
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