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Dear Mr Hunt

APRA'S FUTURE DATA COLLECTION SOLUTION – ISSUES PAPER

The Insurance Council of Australia¹ (Insurance Council) welcomes the opportunity to provide its views on the Australian Prudential Regulation Authority's (APRA) Issues Paper of 26 February 2018, '*A New Data Collection Solution: Key Items for Stakeholder Consideration*' (the Issues Paper), concerning APRA's data collection solution project (data project) to replace APRA's existing financial data collection tool, Direct to APRA (D2A).

The Insurance Council strongly supports APRA's data project, particularly as it gives APRA a significant opportunity to provide reporting entities a new user platform that is significantly more efficient and user-friendly than D2A.

The Insurance Council would like to thank APRA for the very productive consultation sessions that it has provided the Insurance Council and other stakeholders to date, being the cross-industry roundtables, sector-specific roundtables, technical sessions and sector-specific webinars. The Insurance Council is pleased with APRA's inclusive and targeted approach to stakeholder consultation thus far and we strongly encourage APRA to continue with its approach to consultation.

The Insurance Council particularly appreciates APRA's recognition of the need to also ensure that any resulting changes minimise regulatory burden on reporting entities. As APRA would appreciate, our members continue to face significant resourcing pressure from a range of different regulatory developments, such as needing to participate in a range of ongoing general insurance-related government inquiries and implement regulatory changes.

In this context, the Insurance Council would like to emphasise that our diverse membership includes companies with a wide range of resourcing capabilities. It is important for APRA to be aware that while some of our members may be able to absorb further regulatory change, other members may not be as well-placed. On this basis, we respectfully ask that APRA continues to carefully consider the consequential financial impact of its proposals on all

¹ The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent more than 90 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. December 2017 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross written premium of \$44.9 billion per annum and has total assets of \$118.6 billion. The industry employs approximately 60,000 people and on average pays out about \$132 million in claims each working day.

general insurers and provide an appropriate implementation timeframe. We also suggest that, where possible, APRA provide flexible implementation options (for example, a suit of options that are commensurate with a general insurers' operational/systems complexity).

The Insurance Council understands from APRA's consultation sessions that APRA will purchase and operate a new data collection solution (as opposed to developing a solution in-house) that will be web-based and not require installation on computers by reporting entities.

We also understand APRA's new data collection solution will, over time, become the single point of correspondence between reporting entities and APRA and support the submission of prudential data, audit information, breach reports and licensing applications (examples cited by APRA at the consultation sessions).

The Insurance Council notes from the Issues Paper that APRA is coordinating its data project with ASIC's recurrent collection of financial services data project. The Insurance Council strongly encourages APRA and ASIC to continue to work together to maximise any efficiency benefits. In our view, if APRA's new data collection solution is also able to meet ASIC's data collection requirements, then ASIC should utilise APRA's capabilities.

The Attachment to this submission contains information which broadly responds to questions contained in the Issues Paper regarding the potential benefits to stakeholders of a new data collection solution, APRA's engagement with stakeholders and implementation issues.

If you have any questions or comments in relation to our submission, please contact John Anning, the Insurance Council's General Manager Policy, Regulation Directorate, on (02) 9253 5121 or janning@insurancecouncil.com.au.

Yours sincerely



Robert Whelan
Executive Director & CEO

Response to APRA's stakeholder questions

1. Potential Benefits for Stakeholders

Enhanced data validation capability

- The Insurance Council's view is that APRA's existing data validation process could be significantly enhanced with its new data collection solution.
- Feedback from our members is that APRA's existing cross-check validations are unnecessarily complex. In this regard, APRA's new data collection solution should enable a greater number of inconsistencies between prudential reporting forms to be identified prior to their submission to APRA.
- Under APRA's new data collection solution, error messages from a validation check could also include a reference to a numbered cell to reduce the time required for users to locate the source of the validation check error.
- The Insurance Council suggests that under the new data collection solution, any queries by APRA on anomalous movements from the prior period (such as on quarterly reporting forms, as one example) should include the data submitted in the previous period along with the actual movements APRA is seeking explanations for.
- Feedback from our members is that the existing D2A materiality thresholds/tolerance thresholds are too low – a higher level of materiality in validation checks under the new data collection solution would eliminate immaterial validation errors, thereby reducing industry resources required to identify and address immaterial issues.
- We also consider that APRA's new data collection solution should enable previous reporting submissions to be downloaded to support the validation process.

Enhanced data analytics capabilities

- The Insurance Council considers that it would be beneficial if APRA's new data collection solution could include built-in charting and analytics functions. Presently, analytical review of reporting data on a quarter-on-quarter basis, for example, can only be performed by insurers manually. Because of this, anomalies are often found only after submission to APRA, which may necessitate a resubmission.
- The Insurance Council also suggests removing the requirement to hold an AUSKey (which limits flexibility of data entry by staff who do not hold an AUSKey) or allowing an AUSKey to be linked to a specific team/area within an insurer.

Other Potential Efficiency Improvements

- The Insurance Council's view is that the new data collection solution should accept a diverse range of lodgement formats. D2A requires the upload of reporting data via XML files, which requires some of our members to seek assistance from third parties.

- APRA's new data collection solution should minimise the need for manual data entry, such as by enabling the cross-linking of data where the same data is required to be entered into two fields. As another example, *GRS 440 Claims Development Table* form has drop-down options for individual 'Class of Business' – feedback received from our members is that this requires manual intervention and is time consuming.

2. Engagement Plans and Implementation Path

Engagement

- The Insurance Council appreciates APRA's level of engagement and transparency with industry to date, particularly through its roundtable consultation sessions. We suggest that APRA continue to provide targeted industry sector-specific consultation sessions (e.g. general insurance-specific sessions) as the project develops, as this would continue to enable our members to provide APRA more nuanced feedback.

Implementation

- Our members' key implementation concerns relate to potentially not being provided a sufficient amount of time to implement (particularly as any new data collection system would need to be go through an insurer's internal IT security processes and internal IT systems reconfigured accordingly) and uncertainty around implementation costs. While we appreciate that the data project is at a relatively early stage, we would encourage APRA to be transparent with stakeholders about the expected financial impact and implementation timeframes for all of the major options it is considering.
- The Insurance Council would like to emphasise the need for APRA to provide a staggered implementation within the GI sector, to accommodate the different end-of-year balance dates for different general insurers. We would also like to suggest that APRA provide industry sector-specific education and training to help support a smooth transition to its new data collection solution.