



5 April 2013

The Manager
General Insurance Statistics
Australian Prudential Regulation Authority
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Dear Sir/Madam

Discussion Paper: Confidentiality of general insurance data and changes to general insurance statistical publications

The Institute of Chartered Accountants in Australia (the Institute) appreciates the opportunity to comment on the proposed determinations set out in the Australian Prudential Regulation Authority (APRA) Discussion Paper on Confidentiality of general insurance data and changes to general insurance statistical publications (the Discussion Paper).

The Institute is the professional body for Chartered Accountants in Australia and members operating throughout the world.

Representing more than 70,000 current and future professionals and business leaders, the Institute has a pivotal role in upholding financial integrity in society. Members strive to uphold the profession's commitment to ethics and quality in everything they do, alongside an unwavering dedication to act in the public interest

We support the proposals set out in the Discussion Paper that all data submitted to APRA by general insurers should be treated as non-confidential. General insurance reports prepared from the available data, not masked for confidentiality considerations, would deliver a clear public benefit through greater transparency and accountability.

The Institute has long recognised the value of the data collected by APRA. However, we have previously been unable to access data, contained in level 3 reports, which would be most useful due to confidentiality considerations.

The Institute would benefit by having access to claims data which would improve our reporting to the Professional Standards Council (PSC) in relation to the limitation of liability schemes. Institute members would also benefit from access to data which would provide them with a better understanding of the PI insurance market and practice risks.

Institute monitoring of claims

In 2007, the Institute had a national framework of limitation of liability schemes approved under state and territory Professional Standards Legislation (PSL). Under

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PSL, the Institute is required to report annually to the Professional Standards Council regarding the ongoing monitoring of claims made against members and the risk management strategies implemented to mitigate the risk of significant claims.

In reporting to the PSC, the Institute is required to provide aggregated data regarding the size and number of claims made against Institute members in specific reporting periods. This monitoring of claims data is required to ensure that the schemes are effective and that the limits of liability set out in those schemes are appropriate.

Currently the Institute collects claims data directly from members to satisfy our reporting requirements. However, as the insurers take over conduct of claims from the insured, our members are not generally aware of critical data relevant to their claims like defence costs. The most complete and reliable data which the Institute could report to the PSC would be claims data obtained from insurers. To date, the Institute has not succeeded in obtaining data directly from current insurers. Information provided by the insurers to APRA would satisfy the Institute's reporting requirements to the PSC if we were allowed access to reports at the level of professional indemnity (PI) insurance policies written for accountants.

We recognize that data collected by the National Claims and Policies Database (NCPD) regarding claims on PI insurance policies would relate to those for all accountants rather than a subset of Institute members. NCPD data contained in level 3 reports is likely to be most useful in enabling the Institute to meet its reporting requirements to the PSC.

The Institute acknowledges the confidentiality concerns of the insurers regarding the access of third parties to claims data. However, data in the aggregated format required for Institute reporting to the PSC would be unlikely to be sufficiently identifiable to compromise the commercial interests of the insurers. Further, the claims data could be provided directly by APRA to the PSC.

Monitoring PI market

In addition to reporting to the PSC on claims data, the Institute must also monitor and report to the PSC on the PI market for accountants. The comparison of data regarding the PI market over time can assist the Institute and all stakeholders to monitor the impact of liability reform and provide a context for data gathered directly from our members. This regular monitoring would also allow us to inform our members regarding the market conditions which will apply when they renew their PI policies. Access to the following data in relation to PI policies, in the accountants market, would assist with this monitoring:

- The number of insurers nationally by underwriting year
- Number of risks written nationally by underwriting year
- Value of risks written nationally by underwriting year
- Average written policy premium nationally by underwriting year
- Number and size of claims nationally by underwriting year
- Average size of claims settled nationally by underwriting year
- National loss ratios by underwriting year – gross and net

Monitoring of practice risks for accountants

Participation in the limitation of liability schemes has sharpened the Institute's focus on its own risk management strategies and those of the members. From January 2013, Institute members are required to implement a Risk Management Framework for their practices which complies with APES 325 Risk Management for Firms in addressing broad business risks. This follows on from APES 320 Quality Control for Firms which requires practices to have a system of quality control in place which addresses practice and engagement risks.

In order to effectively identify business, practice and engagement risks, accountants need a better understanding of claims history and trends. An understanding of trends in the insurance market would also allow accountants to better manage their risks through their professional indemnity insurance. Access to the more detailed and timely information regarding claims would be to the benefit of both the professional accountant as well as their clients.

Conclusion

The Institute supports the general proposal in the Discussion Paper that all data submitted to APRA by general insurers should be treated as non-confidential. We also support Proposals 1 and 2 in relation to the statistics to be included in the revised institution-level publication and in the quarterly publication. It will be the statistics included in the quarterly publication which will be of greatest benefit to the Institute and our members. We have no objection to APRA ceasing to publish the General Insurance Supplementary Statistical Tables publication set out in Proposal 3.

We believe there would be significant benefits for the Institute, its members and the public if this policy is extended to data provided in NCPD reports

We note that the objectives of the Federal Government in establishing the NCPD, to make insurance products more affordable and available, are the same as those that led to State, Territory and Commonwealth governments to establish PSL.

Yours sincerely



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General Manager
Leadership and Quality

