

**Financial Sector (Collection of Data) (reporting standard) determination
No. 42 of 2018**

EXPLANATORY STATEMENT

Prepared by the Australian Prudential Regulation Authority (APRA)

Financial Sector (Collection of Data) Act 2001, sections 13 and 15

Under subsection 13(1) of the *Financial Sector (Collection of Data) Act 2001* (the Act), APRA has the power to determine reporting standards, in writing, with which financial sector entities must comply. Such standards relate to reporting financial or accounting data and other information regarding the business or activities of the entities. Subsection 15(1) of the Act provides that APRA may declare a day on and after which the reporting standards are to apply.

On 23 October 2018, APRA made Financial Sector (Collection of Data) (reporting standard) determination No. 42 of 2018 (the instrument) which determines *Reporting Standard LRS 750.0 Claims and Disputes* (LRS 750.0).

The instrument commences upon registration on the Federal Register of Legislation.

1. Background

In 2016, the Australian Securities and Investments Commission (ASIC) conducted a thematic review to identify any systemic concerns with claims handling in the life insurance industry.¹ A key finding was that there is a clear need for better quality, more consistent and more transparent data about insurance claims. The report recommended the establishment of a consistent public reporting regime for claims data and claims outcomes, including claims handling timeframes and dispute levels across all policy types.

Commencing in May 2017, APRA and ASIC (the agencies) undertook a joint initiative to collect and publicly report on life insurance claims and disputes data. The agencies adopted a two phase approach to this work: the first involved collecting three rounds of data in a pilot process to establish an effective and consistent collection approach (pilot data phase), with the second being the ongoing collection and publication of credible, reliable and comparable data (ongoing reporting phase).

The agencies' objectives in both phases of this project are to:

- improve accountability and performance of life insurers; and
- facilitate an informed public discussion about the performance of the life insurance industry.

The aim, and criteria for success, is to achieve these objectives through publication of credible, reliable and comparable data. The agencies' intention is for this data to be regularly published on an entity-level basis, at a sufficient level of granularity to allow for meaningful comparisons of insurer performance and with sufficient context to effectively inform consumers and other stakeholders.

The pilot data phase commenced in May 2017. It contained three rounds of voluntary data collection of claims and disputes data. Data was collected from approximately 20 insurers. Over the course of three data collections, the definitions used, the scope of data collected and the collection template were incrementally improved.

The agencies consulted with industry during each round of pilot data collection, and considered and acted on feedback received throughout the process. This approach has enabled insurers to amend their systems and practices to meet the needs of the data collection and reporting process.

2. Purpose and operation of the instrument

LRS 750.0 formalises the ongoing reporting phase, and contains the requirements for the provision of information to APRA relating to an authorised life insurer's claims and disputes data, which applies to all life companies authorised under the *Life Insurance Act 1995* (Life Act) with directly written business of the types defined for inclusion in LRF 750.0 Claims and Disputes.

¹ See ASIC REP 498 'Life insurance claims: An industry review'.

Information being collected includes policy data, claims decisions data, claims processing durations, data on disputes and dispute outcomes, and dispute processing durations. This data is being collected across a range of dimensions, including insurance type, on sale status, advice type and cover type and will enable detailed analysis of the drivers of claims and disputes.

LRS 750.0 requires reporting for reporting periods that occurred prior to the commencement of the reporting standard. LRS 750.0 is not retrospective in operation as the obligation to report on these reporting periods commences from, and not prior to, the commencement of the reporting standard.

Information collected under this instrument will be used for the purposes of assisting APRA to perform its functions including prudential supervision, enabling APRA to publish information given by financial sector entities and assisting ASIC to perform its functions.

Where LRS 750.0 refers to an Act, Regulation Prudential Standard, Reporting Standard, Australian Accounting or Auditing Standard, this is a reference to the document as it exists from time to time, and which is available on the Federal Register of Legislation at www.legislation.gov.au. The LRF 750.0 spreadsheet template will be available for download on APRA's website at www.apra.gov.au.

3. Consultation

APRA and ASIC have undertaken extensive consultation with life insurers, consumer representatives, service providers and the Financial Services Council (FSC). Informal consultation between APRA, ASIC, and the FSC, has been ongoing with regular meetings at senior levels. Formal consultation for this instrument has taken place through the issue of a number of papers released by APRA in May 2017, November 2017, and May 2018. Submissions received have been broadly supportive of the collection of claims and disputes data. A reporting template was provided to, and used by, life insurers to report data to APRA on a voluntary basis for the pilot data phase. LRF 750.0 reflects the reporting template used by life insurers during the pilot and incorporates feedback received on the template over the course of the three rounds of the voluntary data collection. Further information on the consultation process can be found in the Regulation Impact Statement.

4. Regulation Impact Statement

APRA prepared a Regulation Impact Statement which has been lodged as supporting material.

5. Statement of compatibility prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

A Statement of compatibility prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* is provided at Attachment A to this Explanatory Statement.

ATTACHMENT A

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*

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This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instrument listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* (HRPS Act).

Overview of the legislative instrument

The instrument determines a new reporting standard under the *Financial Sector (Collection of Data) Act 2001*. The new reporting standard facilitates the collection of information by APRA from life companies on their claims and disputes data.

Human rights implications

APRA has assessed the instrument and is of the view that it does not engage any of the applicable rights or freedoms recognised or declared in the international instruments listed in section 3 of the HRPS Act. Accordingly, in APRA's assessment, the instrument is compatible with human rights.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.