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18 August 2006



Mr Matthew Edgerton
 Analyst
 Independent Pricing and Regulatory Tribunal
 PO Box Q290
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Dear Mr Edgerton

IPART investigation into the burden of regulation in NSW and improving regulatory efficiency

Thank you for your email dated 21 July 2006 with respect to the Draft Report of the Independent Pricing and Regulatory Tribunal (IPART) Investigation into the burden of regulation in NSW and improving regulatory efficiency (Investigation).

The Insurance Council welcomes the Draft Report and congratulates IPART for its detailed and thorough examination of the areas of regulation that burden the general insurance industry and that could be made more efficient. As the Draft Report acknowledges, the general insurance industry already has a high level of regulation with compliance currently costing insurers between \$5 million and \$60 million a year depending on their size.

As submitted in February and May 2006 respectively, the Insurance Council believes that there are three key priorities for general insurance regulatory reform: improving regulatory process; removing impediments to national operation; and, improving affordability of insurance. Our comments on the IPART recommendations relating to each of these matters are as follows:

1. Improving regulatory process

As a general comment, the Insurance Council welcomes the IPART recommendations for improving the processes through which regulation is made and implemented. Specifically, we support the recommendations relating to the Regulatory Impact Statement (RIS) process, conduct of post-implementation reviews and enhancements in the implementation of regulation in NSW.

2. Removing impediments to national operation

The Insurance Council also welcomes the Draft Report recommendations which relate to insurance-specific regulation. In particular, recommendations 23 - 25 which address overlaps in prudential regulation, the reliance of professionals on Discretionary Mutual Funds (DMFs) and Direct Offshore Foreign Insurers (DOFIs) and inconsistency in statutory schemes. The Insurance Council believes that, if implemented, these recommendations

would make a substantial contribution to improving the efficiency and competitiveness of the insurance industry.

The Insurance Council also supports the recommendation that the Government consider reviewing the *Insurance Act 1902*, to identify any unnecessary provisions and requirements, although we note that this recommendation appears to have been omitted from the Draft Report's 'overview'.

3. Improving affordability of insurance

The Insurance Council notes with regret that IPART has declined to make recommendations with respect to fees and levies as these are a significant aspect of the regulatory environment in NSW. (The NSW Government imposes stamp duty, Insurance Protection Tax and a Fire Services Levy). Fees and levies make insurance less affordable, both directly (the actual amount of the fees and levies on top of the premium) and indirectly, (because the cost of collecting fees and levies must be built into the premium). In this sense, fees and levies are both a tax and a form of regulation, adding to the 'red tape' burden on insurers and consumers of insurance and should be addressed in the IPART review.

The Insurance Council supports the IPART recommendation that the Government monitor compliance with NSW tax and levy requirements for insurance provided by DOFIs and, if necessary, consider options to enhance compliance with those requirements. However, we note that the recommendation appears to have been omitted from the Draft Report's 'overview'.

Whilst we acknowledge the reasons IPART has cited for waiting for the Potts recommendations to be implemented before addressing the tax disparity between insurance and the insurance-like products offered by DMFs, we note that even under the Potts recommendations there may well be opportunities for DMFs to continue to offer products that are not considered to be a contract of insurance and therefore not subject to insurance taxes. As such, we submit that, regardless of the outcome of Potts, urgent action should be taken to ensure that all insurance and insurance-like products are subject to the same tax treatment.

We would welcome the opportunity to discuss the Draft Report with IPART. Please do not hesitate to contact me on (02) 9253 5100 in relation to these issues.

Yours sincerely



Carolyn Conner
Acting General Manager, Consumer Policy Directorate