Creating a more dynamic and resilient economy inquiry

Questionnaire response 29

Name: Insurance Council of Australia

Submission date: 6/06/2025

1. Support business investment through corporate tax reform

1. What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

The participant did not respond to this question.

2. What elements of the corporate tax system encourage and/or discourage investment and risk-taking?

The participant did not respond to this question.

3. Which parts of the corporate tax system do you find the hardest, or most time or cost-intensive to comply with? How could the compliance burden of the business/company tax system be reduced?

The participant did not respond to this question.

2. Reduce the impact of regulation on business dynamism

1. What areas of regulation do you see as enhancing business dynamism and resilience? What are the reasons for your answer?

The participant did not respond to this question.

2. How has your regulatory burden changed over time?

The Australian general insurance industry is heavily regulated. In addition to broad financial services regulation, general insurers must also comply with the Insurance Contracts Act 1984, as well as several insurance specific related ASIC regulations. The General Insurance Code of Practice further contains additional requirements that go above and beyond the law, prescribing operational conditions that impact the consumer experience. The overall regulation in financial services generally, and the insurance industry specifically, has increased significantly over time following the Royal Commission into the Banking, Superannuation and Financial Services Industry. While this regulation was an important step to address serious consumer harms, it has not always resulted in the desired outcomes for consumers.

The Australian Law Reform Commission previously found that the current legislative framework for corporations and financial services regulation is overly complex and made nearly 60 recommendations to streamline financial services regulation.

In addition to financial services regulation, the industry must also navigate evolving economy-wide regulation including privacy law and cyber security. The elements of these regulatory schemes for example overlap with financial services legislation, such as privacy breach reporting which can in turn impact incident responses.

3. What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?

   The participant did not respond to this question.

4. Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?

   The Insurance Council has welcomed Treasury's Regulatory Initiatives Grid (RIG) which seeks to provide the industry clearer oversight of upcoming regulatory reform that impacts the financial services sector and establish coordination of reforms by the regulators. We do note that the RIG only addresses financial services regulation and not the aforementioned, economy-wide regulatory schemes such as cyber security and privacy reform. Other actions of note include the Australian Securities and Investments Commission (ASIC) work on regulatory simplification and the Australian Prudential Regulation Authority (APRA) modernisation of the prudential architecture.

   While this work is an important step, the Insurance Council would welcome a more fundamental reconsideration of how policy and laws impacting insurers are developed. Our experience is that the policy process is often reactive, rather than geared towards a longer-term consideration of consumer needs and market development. We would welcome a more structured process for engaging in the policy dialogue and rigorous testing of policy proposals to ensure that the intended outcome for consumers is achieved. This would not only this lead to more effective consumer protections, but also avoid the implementation of costly reforms which are unlikely to have the intended effect. While the undertaking of an Regulatory Impact Analysis does contribute to better governance of policy making, we note that it is not common for consumer testing to occur even for reforms which will make significant changes to consumer experience. We also note that the process does not consider transition or implementation costs for businesses as it does for government and often has limited industry consultation. We finally note that a cumbersome and complex regulatory regime impacts on smaller insurers disproportionately, which has a direct impact on competition.