

Mr Chris Sayers
Assistant Commissioner
Regulation Benchmarking Study
Productivity Commission
Locked Bag 2, Collins Street East
MELBOURNE VIC 8003
regulationbenchmarking@pc.gov.au

2 January 2007

Dear Mr Sayers

The Insurance Council of Australia Limited¹ welcomes the opportunity to comment on the discussion draft document *Performance Benchmarking of Australian Business Regulation*.

The Insurance Council congratulates the Commission on this comprehensive report which we are pleased to note has taken a cost effective approach to what, as the report points out, could become a very expensive exercise.

The Insurance Council welcomes the focus on benchmarking regulatory processes and on opportunities for harmonisation where regulatory objectives are similar, and notes that the approach proposed envisions minimal imposition of data reporting requirements on businesses. The “reference” business approach to data collection will allow for a representative indication of the costs without causing an undue reporting burden on the business community.

Nevertheless, the Insurance Council believes that there are additional areas of investigation that we recommend the Productivity Commission (PC) consider. These are outlined below:

Harmonisation and Competitive Federalism

While the Insurance Council endorses the PC approach that harmonisation across jurisdictions should be pursued where regulatory objectives are aligned, we believe there is also benefit in benchmarking jurisdictions where regulatory objectives conflict. This effort would support contestability in regulatory setting across jurisdictions and in turn, assist in the efficient allocation of resources.

The Productivity Commission can assist in supporting a contestable “market” in regulation by improving the level of market information on regulatory objectives across jurisdictions. In the same way that the PC report into the performance of government service delivery (which serves as a benchmark into government service delivery) a similar report on government regulatory objectives could be developed.

¹ The Insurance Council of Australia Limited is the representative body of the general insurance industry in Australia. Our member companies represent more than 90 percent of total premium income written by private sector general insurers.

Removal of Regulation

In a similar vein, the Insurance Council recommends the PC include in its research examination of the removal of regulation. While the draft report focuses almost exclusively on benchmarking existing regulation, we believe it would be worthwhile examining the extent to which regulation has been *removed* altogether or where acceptable self regulatory alternatives have been adopted. Benchmarking the removal of regulation would assist in determining the extent to which jurisdictions are committed to easing altogether the regulatory burden or identify opportunities for shifting the burden to other places.

Benchmarking the cost of Regulators

Lastly, the Insurance Council recommends the PC also consider benchmarking and reporting on the cost of regulation supervisors/administrators. We believe the cost of regulation should include the extent to which the respective jurisdictions fund regulatory bodies that undertake the supervision and administration of a given set of regulations. For example, the NSW Motor Accidents Authority (the regulator for the Compulsory Third Party Motor Insurance Scheme) has seen its total expenditure increase by 20% between 2003/04 and 2005/06. In the case of the NSW MAA, the bulk of the funding for its administration derives from a levy on compulsory CTP premium, and in this regard, revenue from such a levy has escalated from \$19.5 million in 2002/03 to over \$36 million in 2005/06.

Similarly, financial services regulatory levels for APRA and ASIC applied to general insurance have grown from \$4.8 million in 1999/2000 to \$18.6 million in 2006/07.

If you would like the Insurance Council to elaborate on any part of this submission, please do not hesitate to contact Carolyn Conner, General Manager Policy – Regulation Directorate with the Insurance Council at 02 9253 5121 or cconner@insurancecouncil.com.au.

Yours sincerely

Kerrie Kelly
Executive Director & CEO