

Insurance reforms on the way

New prudential standards will be introduced for the insurance industry under legislation currently before the Parliament. According to Financial Services Minister, Joe Hockey, the General Insurance Reform Bill 2001 is "the most significant reform to the *Insurance Act 1973* since its inception nearly 30 years ago".

The legislation will grant the Australian Prudential Regulation Authority (APRA) the power to make, vary and revoke prudential standards. "The new prudential standards will see minimum statutory capital requirements increase for most insurers, particularly those underwriting in riskier insurance markets, such as reinsurance," Mr Hockey said.

Other key reforms contained in the Bill include:

- strengthened 'fit and proper' tests for the Board and senior management of general insurers;

- a requirement to appoint, except in limited cases, an APRA approved actuary to advise the Board of a general insurer on the valuation of companies liabilities; and
- obligations on auditors and actuaries to report to APRA on both a routine and non-routine basis, in order to provide an independent check on the internal control processes of a general insurer.

The Federal Government expects the new regime to commence on 1 July 2002.

Where can you get the details?

- The progress of bills can be checked from the Daily Bills List on the Internet at www.aph.gov.au/parlinfo/billsnet/blist.pdf
- The text of bills and the explanatory memoranda which explain them are available on the Internet at www.aph.gov.au/parlinfo/billsnet/bills.htm
- The debates on the legislation can be found on the Internet at www.aph.gov.au/hansard

Executive stress

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Labor Members. "I've been refreshingly surprised by some of them," she says. "I've got to know their philosophies and thought processes and [committee membership] has helped me develop a strong sense of camaraderie with them. Essentially, just like the Government, they want to solve problems and, through inquiries, they do want to make the world a better place."

Mark Latham says that while the investigative efforts of many committees often come to naught, some committees have an accountability role which gives them teeth.

The House Economics Committee, of which Latham is a member, regularly questions the Governor of the Reserve Bank and heads of other major public institutions about the way they exercise power.

"The Economics Committee probably has the strongest charter for holding independent authorities to account," says Latham. "If I were to restructure the committee system, I'd build on the work of the Economics Committee by finding other public authorities that could be kept to account by committees."

"Committees could also play a bigger role as a public filter, examining social policies and issues before they're finally determined by Executive Government. Committees would open up a civic conversation, a dialogue with the public before matters are finally determined by Executive Government."

"Committees must be given a specific purpose inside the processes of Executive Government," says Latham. "It doesn't need to be an adversarial process. It should be a partnership. Otherwise it all breaks down, and in the end it's just so easy for Executive

Government to ignore a committee report. Without a real sense of collaboration and mutual interest operating, the committee system won't work properly."

Anna Burke agrees with an expanded accountability role for House committees.

"Executive Government can't hold every section of the bureaucracy and every statutory body to account," she says. "The committee system was set up to do some of that work, to relieve the pressure on government."

"I don't see committees mounting inquiries to get up the nose of government," says Burke. "Both must work hand in glove, because if the two are at loggerheads, Executive Government will win every time."

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