

**PROGRAMME 7 — INSURANCE AND
SUPERANNUATION COMMISSION**

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Objective

To promote public confidence in the Australian insurance and superannuation industries and wider financial system, through a system of prudential supervision which protects the interest of policy holders/fund members, while permitting the maximum practicable degree of commercial freedom and competition.

Table 4.1: Reconciliation of Appropriations to the Programme and Summary of Underlying Outlays

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
ANNUAL APPROPRIATIONS					
<i>Appropriation Bill No. 1</i>					
Division 677 - Insurance and Superannuation Commission					
1. Running Costs	36,721	40,124	36,310	61,264	69
Annotated Appropriations (Section 31 of the <i>FMA Act 1997</i>)	1,120	1,700	1,700	999	-41
	37,841	41,824	38,010	62,263	64
2. Other Services	333	333	120	319	166
Total Appropriation Bill No. 1	38,174	42,157	38,130	62,582	64
Total Appropriation Bill No. 2	-	-	-	-	0
TOTAL ANNUAL APPROPRIATIONS	38,174	42,157	38,130	62,582	64
TOTAL SPECIAL APPROPRIATIONS	1,200	na	1,200	1,200	0
TOTAL APPROPRIATIONS	39,374	na	39,330	63,782	62
Less annotated appropriations	1,120	na	1,700	999	-41
Less other adjustments	1,260	na	1,345	1,260	-6
TOTAL UNDERLYING OUTLAYS	36,994	na	36,285	61,523	70
Staff years	444	na	406	402	-1

- (i) As presented in 1997-98 Budget documentation (May 1997 — adjusted, where necessary, to reflect underlying outlays).
(ii) 1997-98 Revised Approp figures amended to include Additional Estimates, Advance to the Minister for Finance, running cost borrowings, savings and other revisions.
(iii) Variation percentage = ((1998-99 Budget less 1997-98 Estimated Outcome)/1997-98 Estimated Outcome).

Sub-Programme 7.1 — Corporate Services

Objective

The Commission's Corporate Services objectives are to:

- provide high quality and effective leadership and strategic direction in corporate management to enable the Commission to meet its responsibilities;
- provide the financial and human resource management information necessary to enable managers to make effective and timely decisions;
- provide the computing support services necessary to meet the Commission's business needs;
- provide the internal audit and management review services necessary to enable compliance with APS legislative, policy and corporate/programme requirements;
- meet the accommodation and office services needs of the Commission in an efficient and cost effective manner;
- ensure the Commission complies with all statutory and administrative requirements in accordance with Government policy;
- assist in obtaining high quality staff; and
- provide opportunities to staff for their personal and professional development.

Table 4.2: How the Sub-Programme is Resourced; Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
ANNUAL APPROPRIATIONS					
<i>Appropriation Bill No. 1</i>					
Division 677 - Insurance and Superannuation					
Commission					
1. Running Costs	7,706	9,180	7,649	33,849	343
Annotated Appropriations (Section 31 of the FMA Act 1997)	130	130	130	119	-8
	7,836	9,310	7,779	33,968	337
2. Other Services					
01 Compensation and legal expenses	333	333	120	319	166
Total Appropriation Bill No. 1	8,169	9,643	7,899	34,287	334
Total Appropriation Bill No. 2	-	-	-	-	-
TOTAL ANNUAL APPROPRIATIONS	8,169	9,643	7,899	34,287	334
TOTAL SPECIAL APPROPRIATIONS	-	-	-	-	-
TOTAL APPROPRIATIONS	8,169	9,643	7,899	34,287	334
Less annotated appropriations	130	na	130	119	-8
Less other adjustments	34	na	87	40	-54
TOTAL ADJUSTMENTS	164	na	217	159	-27
TOTAL UNDERLYING OUTLAYS	8,005	na	7,682	34,128	344
Staff years	75	na	76	72	-5

- (i) As presented in 1997-98 Budget documentation (May 1997 — adjusted, where necessary, to reflect underlying outlays).
(ii) 1997-98 Revised Approp figures amended to include Additional Estimates, Advance to the Minister for Finance, running cost borrowings, savings and other revisions.
(iii) Variation percentage = ((1998-99 Budget less 1997-98 Estimated Outcome)/1997-98 Estimated Outcome).

Sub-Programme Variation

The following table shows changes of more than 5 per cent in the underlying outlays of the Sub-Programme in 1998-99.

Table 4.3: Variations to Sub-Programme Underlying Outlays 1997-98 to 1998-99

	Amount of Variation (+ or -) \$'000	Total \$'000
1997-98 Estimated Underlying Outlays (i)		7,682
Budget Measure		
Increased funding to provide for establishment costs associated with the creation of the Australian Prudential Regulation Authority (APRA)	16,144	
Cost of Bank Supervision - related to APRA Setup (see also page 189)	10,000	
Running Costs		
Transfer to ASIC of Consumer related functions	-600	
Net effect of price indexation, efficiency dividend, carryovers and internal transfers	703	
Programme Costs		
Compensation and legal expenses	199	
Total Variations		26,446
1998-99 Budget Underlying Outlays (ii)		34,128

(i) The 1997-98 figure appears in column 3 in Table 4.2 above.

(ii) The 1998-99 Budget figure appears in column 4 in Table 4.2 above.

1998-99 Budget Measures affecting Portfolio Underlying Outlays

Australian Prudential Regulation Authority (APRA)

On 17 March 1998 the Government announced a proposal to establish APRA as part of the implementation of its new system of financial regulation. The Government's aim — subject to the passage of the enabling legislation, which was introduced into the Parliament on 25 March 1998 — is to establish an improved regime for financial system regulation at the Commonwealth level on 1 July 1998.

The Government also announced that the headquarters of APRA will be established in Sydney and that it expects a presence to be retained in the major State capitals and in Canberra. New accommodation will be provided for APRA within Sydney in the 1998-99 year.

While the ISC's consumer protection functions will be taken over by the new Australian Securities and Investments Commission, the core functions of prudential supervision of life and general insurance companies and superannuation funds will be taken over by APRA.

There are initial costs in establishing the new regulator, but the proposal is budget neutral over four years, as the establishment costs will be fully recouped from industry levies, fees and charges.

Performance of the Sub-Programme in 1996-97 and 1997-98

Information on the performance of the Sub-Programme in 1996-97 is at pages 105 to 110 of the Annual Report of the Insurance and Superannuation Commission. Performance information for 1997-98 will be published in the 1997-98 Annual Report to be tabled in Parliament by 31 October 1998.

Performance Forecasts for 1998-99

Corporate Services Sub-Programme will continue to develop and improve the delivery of services in support of programme objectives in 1998-99.

Attention will continue to be given to internal audit and management review activities to ensure that resources are effectively deployed in response to changing functional and operational responsibilities.

Management information systems are also under review. It is planned that the new Financial Management Information System — Oracle Financials — will become fully operational on 1 July. Possible replacement of the Human Resources Management Information System is being evaluated for replacement of the existing system in 1998-99.

Particular attention will be paid to gaining full benefit from the new Certified Agreement with non-SES staff under the Workplace Relations Act.

Corporate Services Sub-Programme will also be involved in the preparation for transfer of functions to APRA.

Sub-Programme 7.2 — Life Insurance

Objective

The Commission's primary life insurance supervisory objective is to protect present and prospective policy owners by promoting the continued development of a viable, competitive and innovative life insurance industry with financially-sound participants and fair trading practices.

Table 4.2: How the Sub-Programme is Resourced; Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
ANNUAL APPROPRIATIONS					
<i>Appropriation Bill No. 1</i>					
Division 677 - Insurance and Superannuation					
Commission					
1. Running Costs	3,758	4,145	5,074	4,322	-15
Annotated Appropriations (Section 31 of the FMA Act 1997)	40	620	620	40	-94
	3,798	4,765	5,694	4,362	-23
Total Appropriation Bill No. 1	3,798	4,765	5,694	4,362	-23
Total Appropriation Bill No. 2	-	-	-	-	-
TOTAL ANNUAL APPROPRIATIONS	3,798	4,765	5,694	4,362	-23
Special Appropriations					
<i>Life Insurance Act 1995</i>	1,200	na	1,200	1,200	0
TOTAL SPECIAL APPROPRIATIONS	1,200	na	1,200	1,200	0
TOTAL APPROPRIATIONS	4,998	na	6,894	5,562	-19
Less annotated appropriations	40	na	620	40	-94
Less other adjustments	1,209	na	1,233	1,211	-2
TOTAL ADJUSTMENTS	1,249	na	1,853	1,251	-32
TOTAL UNDERLYING OUTLAYS	3,749	na	5,041	4,311	-14
Staff years	37	na	38	37	-3

- (i) As presented in 1997-98 Budget documentation (May 1997 — adjusted, where necessary, to reflect underlying outlays).
(ii) 1997-98 Revised Approp figures amended to include Additional Estimates, Advance to the Minister for Finance, running cost borrowings, savings and other revisions.
(iii) Variation percentage = ((1998-99 Budget less 1997-98 Estimated Outcome)/1997-98 Estimated Outcome).

Sub-Programme Variation

The following table shows changes of more than 5 per cent in the underlying outlays of the Sub-Programme in 1998-99.

Table 4.3: Variations to Sub-Programme Underlying Outlays 1997-98 to 1998-99

	Amount of Variation (+ or -) \$'000	Total \$'000
1997-98 Estimated Underlying Outlays (i)		5,041
Running Costs		
Transfer to ASIC of Consumer related functions	-276	
Net effect of price indexation, efficiency dividend, carryovers and internal transfers	126	
Adjustments		
Section 31 receipts - including reimbursement of the cost associated to the ISC of engaging consultants to assist with the demutualisation demutualisation of the AMP Society.	-580	
Total Variations		-730
1998-99 Budget Underlying Outlays (ii)		4,311

(i) The 1997-98 figure appears in column 3 in Table 4.2 above.

(ii) The 1998-99 Budget figure appears in column 4 in Table 4.2 above.

Performance of the Sub-Programme in 1996-97 and 1997-98

Information on the performance of the Sub-Programme in 1996-97 is at pages 41 to 60 of the Annual Report of the Insurance and Superannuation Commission. Performance information for 1997-98 will be published in the 1997-98 Annual Report to be tabled in Parliament by 31 October 1998.

Performance Forecasts for 1998-99

New reporting requirements under the *Life Insurance Act 1995* came into effect on 31 December 1996. During 1997-98, the Life Group assessed the financial strength of life insurance companies using new financial analytical techniques developed in response to the new financial reporting framework. These techniques will continue to be applied during 1998-99. They will be refined in the light of 1997-98 experience.

During 1997-98 the Life Group continued to monitor the extent to which individual life companies and life brokers were discharging their responsibilities for ensuring that customers are fairly treated. This work will continue in 1998-99 together with work to ensure a smooth transition of these functions to the proposed Australian Prudential Regulation Authority and Australian Securities and Investment Commission.

Sub-Programme 7.3 — Actuarial

Objective

The Commission's objectives with regard to actuarial services are to provide high quality actuarial and related policy advice to Government departments and authorities.

Table 4.2: How the Sub-Programme is Resourced; Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
ANNUAL APPROPRIATIONS					
<i>Appropriation Bill No. 1</i>					
Division 677 - Insurance and Superannuation Commission					
1. Running Costs	-	-	-	-	-
Annotated Appropriations (Section 31 of the FMA Act 1997)	700	700	700	700	0
	700	700	700	700	0
Total Appropriation Bill No. 1	700	700	700	700	0
Total Appropriation Bill No. 2	-	-	-	-	-
TOTAL ANNUAL APPROPRIATIONS	700	700	700	700	0
TOTAL SPECIAL APPROPRIATIONS	-	-	-	-	-
TOTAL APPROPRIATIONS	700	700	700	700	0
Less annotated appropriations	700	na	700	700	0
Less other adjustments	-	na	-	-	-
TOTAL ADJUSTMENTS	700	na	700	700	0
TOTAL UNDERLYING OUTLAYS	-	na	-	-	-
Staff years	9	na	8	8	0

- (i) As presented in 1997-98 Budget documentation (May 1997 — adjusted, where necessary, to reflect underlying outlays).
(ii) 1997-98 Revised Approp figures amended to include Additional Estimates, Advance to the Minister for Finance, running cost borrowings, savings and other revisions.
(iii) Variation percentage = ((1998-99 Budget less 1997-98 Estimated Outcome)/1997-98 Estimated Outcome).

Performance of the Sub-Programme in 1996-97 and 1997-98

Information on the performance of the Sub-Programme in 1996-97 is at pages 99 to 104 of the Annual Report of the Insurance and Superannuation Commission. Performance information for 1997-98 will be published in the 1997-98 Annual Report to be tabled in Parliament by 31 October 1998.

Performance Forecasts for 1998-99

The Actuarial Group's programmes involve regular consultation with its clients on their requirements, the progress of activities, application and interpretation of calculations, and the internal mechanisms employed to achieve such results.

The major tasks in 1998-99 include advice to the Australian Taxation Office on the implementation of superannuation taxation policy and advice to Commonwealth departments and agencies on the cost of providing superannuation for Commonwealth employees and members of the Defence Forces.

Sub-Programme 7.4 — Superannuation

Objective

There are four overall objectives which form the background for the ISC's supervision of the superannuation industry:

- Ensure participating trustees understand their role and operate the fund prudently to protect member benefits and superannuation savings and to monitor trustee compliance with prudential obligations;
- Ensure the trustee has the capacity to keep the fund operating (eg administration capacity);
- Ensure the smooth and relevant application of the superannuation policy within the context of the Government's retirement income policy. Note this includes the need to maintain a level of community confidence in the superannuation system; and
- Engender an environment where there is a stable yet dynamic industry — ie maintain a focus on the balance between supervision (which allows market innovation within broad parameters) and regulation (which is focused on strict legislative compliance).

Table 4.2: How the Sub-Programme is Resourced; Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
ANNUAL APPROPRIATIONS					
<i>Appropriation Bill No. 1</i>					
Division 677 - Insurance and Superannuation Commission					
1. Running Costs	21,682	22,785	19,844	20,431	3
Annotated Appropriations (Section 31 of the <i>FMA Act 1997</i>)	210	210	210	100	-52
	21,892	22,995	20,054	20,531	2
Total Appropriation Bill No. 1	21,892	22,995	20,054	20,531	2
Total Appropriation Bill No. 2	-	-	-	-	-
TOTAL ANNUAL APPROPRIATIONS	21,892	22,995	20,054	20,531	2
TOTAL SPECIAL APPROPRIATIONS	-	-	-	-	-
TOTAL APPROPRIATIONS	21,892	22,995	20,054	20,531	2
Less annotated appropriations	210	na	210	100	-52
Less other adjustments	10	na	15	6	-60
TOTAL ADJUSTMENTS	220	na	225	106	-53
TOTAL UNDERLYING OUTLAYS	21,672	na	19,829	20,425	3
Staff years	285	na	248	259	4

- (i) As presented in 1997-98 Budget documentation (May 1997 — adjusted, where necessary, to reflect underlying outlays).
(ii) 1997-98 Revised Approp figures amended to include Additional Estimates, Advance to the Minister for Finance, running cost borrowings, savings and other revisions.
(iii) Variation percentage = ((1998-99 Budget less 1997-98 Estimated Outcome)/1997-98 Estimated Outcome).

Sub-Programme Variation

The following table shows changes in the underlying outlays of the Sub-Programme in 1998-99.

Table 4.3: Variations to Sub-Programme Underlying Outlays 1997-98 to 1998-99

	Amount of Variation (+ or -) \$'000	Total \$'000
1997-98 Estimated Underlying Outlays (i)		19,829
Running Costs		
Transfer to ASIC of Consumer related functions	-1,450	
Net effect of price indexation, efficiency dividend, carryovers and internal transfers	2,046	
Total Variations		596
1998-99 Budget Underlying Outlays (ii)		20,425

(i) The 1997-98 figure appears in column 3 in Table 4.2 above.

(ii) The 1998-99 Budget figure appears in column 4 in Table 4.2 above.

Performance of the Sub-Programme in 1996-97 and 1997-98

Information on the performance of the Sub-Programme in 1996-97 is at pages 61 to 79 of the Annual Report of the Insurance and Superannuation Commission. Performance information for 1997-98 will be published in the 1997-98 Annual Report to be tabled in Parliament by 31 October 1998.

Performance Forecasts for 1998-99

During 1998-99, the Superannuation Group will continue to prudentially supervise the superannuation industry, seeking to ensure that trustees are properly aware of and fulfil their duties and responsibilities. There will continue to be a focus on reviews of the operation of superannuation funds with particular assessment of the degree of control exercised by fund trustees. There will also be a continuation of education and information material being provided to trustees to assist them to gain a satisfactory level of awareness of superannuation and related issues. As necessary, policy advice will be provided to the Government and refinements to the Superannuation Industry Supervision (SIS) legislation recommended.

In an environment of industry innovation and legislative change the Group will also continue to review and refine our strategic approach to the supervision of the industry.

Where the Superannuation Group identifies particular practices on the part of trustees which breach the legislative parameters, appropriate enforcement action will be taken.

Sub-Programme 7.5 — General Insurance

Objective

The Commission's general insurance supervisory objective is to promote the interests of insurance policyholders, in particular, through the development of a well managed, competitive and financially sound general insurance industry.

Table 4.2: How the Sub-Programme is Resourced; Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
ANNUAL APPROPRIATIONS					
<i>Appropriation Bill No. 1</i>					
Division 677 - Insurance and Superannuation Commission					
1. Running Costs	3,575	4,014	3,743	2,662	-29
Annotated Appropriations (Section 31 of the FMA Act 1997)	40	40	40	40	0
	3,615	4,054	3,783	2,702	-29
Total Appropriation Bill No. 1	3,615	4,054	3,783	2,702	-29
Total Appropriation Bill No. 2	-	-	-	-	-
TOTAL ANNUAL APPROPRIATIONS	3,615	4,054	3,783	2,702	-29
TOTAL SPECIAL APPROPRIATIONS	-	-	-	-	-
TOTAL APPROPRIATIONS	3,615	4,054	3,783	2,702	-29
Less annotated appropriations	40	na	40	40	0
Less other adjustments	7	na	10	3	-70
TOTAL ADJUSTMENTS	47	na	50	43	-14
TOTAL UNDERLYING OUTLAYS	3,568	na	3,733	2,659	-29
Staff years	38	na	36	26	-28

- (i) As presented in 1997-98 Budget documentation (May 1997 — adjusted, where necessary, to reflect underlying outlays).
(ii) 1997-98 Revised Approp figures amended to include Additional Estimates, Advance to the Minister for Finance, running cost borrowings, savings and other revisions.
(iii) Variation percentage = ((1998-99 Budget less 1997-98 Estimated Outcome)/1997-98 Estimated Outcome).

Sub-Programme Variation

The following table shows changes of more than 5 per cent in the underlying outlays of the Sub-Programme in 1998-99.

Table 4.3: Variations to Sub-Programme Underlying Outlays 1997-98 to 1998-99

	Amount of Variation (+ or -) \$'000	Total \$'000
1997-98 Estimated Underlying Outlays (i)		3,733
Running Costs		
Transfer to ASIC of Consumer related functions	-1,374	
Net effect of price indexation, efficiency dividend, carryovers and internal transfers	300	
Total Variations		-1,074
1998-99 Budget Underlying Outlays (ii)		2,659

(i) The 1997-98 figure appears in column 3 in Table 4.2 above.

(ii) The 1998-99 Budget figure appears in column 4 in Table 4.2 above.

Performance of the Sub-Programme in 1996-97 and 1997-98

Information on the performance of the Sub-Programme in 1996-97 is at pages 17 to 39 of the Annual Report of the Insurance and Superannuation Commission. Performance information for 1997-98 will be published in the 1997-98 Annual Report to be tabled in Parliament by 31 October 1998.

Performance Forecasts for 1998-99

To achieve its objectives in the coming year, the Sub-Programme will:

- continue to monitor the financial and general management of insurers to protect the interests of policy holders;
- deal with breaches of insurance legislation including litigation or other appropriate enforcement action;
- continue to address issues of relevance to the insurance industry including with respect to disclosure of solvency and consistency of approach to the assessment of claims liabilities;
- actively participate in the work of the International Association of Insurance Supervisors (IAIS) with a view to enhancing the exchange of information among financial regulators and stimulating development of a more consistent approach to insurance supervision internationally;

- proceed with the redevelopment and implementation of the general insurance supervisory returns and computer systems;
- collect and publish statistics on the conduct and performance of the general insurance industry in Australia; and
- consult with industry and professional bodies relating to regulatory developments, standards and community issues relevant to general insurance.