

15 July 2020

Ms Jaimie Martin
Assistant Director, Adjudication
Australian Competition & Consumer Commission
Level 17, 2 Lonsdale Street
MELBOURNE VIC 3000

Dear Ms Martin

AUSTRALIAN RETAIL CREDIT ASSOCIATION (ARCA) APPLICATION FOR RE-AUTHORISATION OF THE PRINCIPLES OF RECIPROCITY AND DATA EXCHANGE (PRDE) – INTERESTED PARTY CONSULTATION

The Insurance Council of Australia¹ (Insurance Council) appreciates the opportunity to provide comments on the *Australian Retail Credit Association application for re-authorisation – interested party consultation (the PRDE Authorisation)* pursuant to your email of 3 July 2020.

Our interest in the PRDE Authorisation arises from the Insurance Council's role as the representative body for general insurers, in particular lenders mortgage insurance (LMI) providers. LMI has been a feature of the Australian mortgage market since 1965. LMI enables those who would otherwise have difficulty obtaining a home loan due to lack of a 20 per cent deposit or an established credit repayment history to obtain mortgage finance.

LMI providers have a particular interest in the PRDE given its importance to facilitating the flow of relevant credit information. Moreover, the importance of this flow to LMI providers' businesses and their role in the Australian mortgage market is reflected in section 21L of the *Privacy Act 1988*. Section 21L provides a specific statutory authorisation for the disclosure of credit eligibility information about an individual in relation to a mortgage insurance purpose to a LMI provider.

¹ The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent about 95 per cent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system.

Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

March 2020 Australian Prudential Regulation Authority statistics show that the general insurance industry generates gross written premium of \$51 billion a year and has total assets of \$133.8 billion. The industry employs about 60,000 people and on average pays out about \$169.4 million in claims each working day.

Over the 12 months to March 2020 the industry's net profit after tax (NPAT) was \$1.5 billion – a 56.7 per cent decrease from the prior year's NPAT of \$3.5 billion. The industry's underwriting result was also \$1.5 billion, falling by 47 per cent from \$2.8 billion in the prior year.

Access to this information is critical to LMI providers' ability to offer LMI in Australia. If the PRDE were not to be reauthorised, this would likely restrict the flow of credit eligibility information to LMI providers, which would in turn limit their ability to offer LMI to the Australian market. From a residential market perspective, it would likely become harder for first home loan buyers and others who benefit from LMI to purchase homes.

The Insurance Council endorses the ARCA application for the PRDE to be re-authorised and with the proposed improvements to its operation. In making this recommendation, the Insurance Council notes that it engaged with ARCA in the consultations it undertook prior to the formal application to the ACCC, and as noted in your letter of 3 July.

If you have any questions or comments in relation to our submission please contact John Anning, the Insurance Council's General Manager Policy, Regulation Directorate, on telephone: [REDACTED] or email: [REDACTED]

Yours sincerely



Robert Whelan
Executive Director & CEO