

Life insurance (prudential rules) determination No.1 of 2007

EXPLANATORY STATEMENT

Prepared by the Australian Prudential Regulation Authority

Life Insurance Act 1995, subsection 252(4)

Under subsection 252(4) of the *Life Insurance Act 1995* (**Life Act**), APRA has the power to revoke prudential rules made under subsection 252(1) of the Life Act.

Life insurance (prudential rules) determination No.1 of 2007 revokes *Prudential Rules 23 Reinsurance Reports* (**PR 23**) and *Prudential Rules 24 Reinsurance Contracts Needing Approval* (**PR 24**) to take effect from 1 January 2008.

1. Background

As part of the Government's response to *Rethinking Regulation: the Report of the Taskforce on Reducing Regulatory Burdens on Business*, the *Financial Sector Legislation Amendment (Simplifying Regulation and Review) Act 2007* (**SRR Act**) removes a number of provisions from the Life Act. In particular, the SRR Act repeals sections 123 (Reporting of reinsurance arrangements) and section 125 (Approval of certain reinsurance arrangements).

This reflects the proposals outlined in the Minister for Revenue and Assistant Treasurer's December 2006 proposals paper, *Streamlining Prudential Regulation: Response to 'Rethinking Regulation'*. Proposal 5.5 proposed the repeal of sections 123 and 125 of the Life Act. Proposal 5.5 also identified that APRA may more appropriately deal with reinsurance issues through the prudential standards where it considers such requirements are necessary.

PR 23 was made for the purposes of section 123 and PR 24 was made for the purposes of section 125. As these sections of the Life Act have been repealed, APRA is revoking PR 23 and PR 24, effective from 1 January 2008.

The provisions of PR 23 and PR 24 will be replaced by those of *Prudential Standard LPS 230 Reinsurance* (**LPS 230**). LPS 230 will also be effective from 1 January 2008.

2. Outline of the Determination

The Determination revokes PR 23 and PR 24.

3. Consultation

APRA consulted with industry participants from 2 August to 31 August 2007 by means of a discussion paper: *Transition to the Revised Life Insurance Act*. APRA received four submissions from the consultation process, which were generally in support of the proposals.