



Integrating AASB17 into the capital and reporting framework for insurers and updates to the LAGIC framework

Submission to the Australian Prudential Regulation Authority

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Via email: insurance.policy@apra.gov.au

Dear Mr Holland,

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to make a submission in response APRA's draft standards and Response Paper published as part of the consultation on Integrating AASB17 into the capital and reporting framework for Insurers and updates to the LAGIC framework.

The BCCM is the national peak body for co-operative and mutual enterprises (CMEs) in Australia. It is a member driven and funded organisation representing CMEs operating in all industries including insurance, agriculture, banking, mobility, housing, retail, wholesale, health and community services.

The members of the BCCM collectively have 11.5 million members. They represent the leading co-operative and mutual firms operating in the Australian economy. The BCCM advocates for recognition of the sector and for measures that create a level playing field between CMEs and other business models, including implementation of the recommendations of the Senate Economics References Committee report into "Co-operative, mutual and member-owned firms", and the Hammond Review recommendations to improve access to capital for co-ops and mutuals. From 2016-2019 the BCCM coordinated industry action to work with Government to bring forward the first enabling legislation for co-operatives and mutuals in 18 years.

The BCCM's comments are focused on the proposed introduction of a framework for Mutual Equity Interest (MEIs) into the capital standards for general insurers, life insurers and friendly societies. The BCCM is generally supportive of a framework for MEIs for insurers being included in the capital standards and makes comment on where the proposed approach could be refined.

Our comments should be taken as applying across both sets of draft standards.

1. The cap on MEI contributions to Common Equity Tier One capital should be increased

BCCM insurance sector members support an increase on the percentage cap on the contribution of MEIs to Common Equity Tier One capital from 25% as proposed in the draft capital standards.

Members have additionally suggested that the framework could specifically and expressly allow for a greater contribution where the MEIs are Mutual Capital Instruments.

If APRA believes the cap should remain at 25% for insurance sectors we ask for the policy rationale to be provided publicly.

The BCCM recommends that any caps should be subject to ongoing review.

2. Terminology

The proposed framework draws heavily on the existing framework for Authorised Deposit-taking Institutions (ADIs). We note that certain references to ADIs need to be updated to refer to Insurers.

We would be pleased to provide further information on any matters raised in this submission.

Yours sincerely,



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Chief Executive Officer

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