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12 February 2021

General Manager, Policy Development
Policy and Advice Division
Australian Prudential Regulation Authority
Level 12, 1 Martin Place
Sydney NSW 2000

By email: Policy.Development@apra.gov.au

Submission: Strengthening Prudential Requirements for Remuneration

Thank you for the opportunity to respond and provide comment on Australian Prudential Regulation Authority's ('**APRA**') proposed Prudential Standard CPS 511 Remuneration ('**CPS 511**').

The Health Insurance Fund of Australia Limited ('**HIF**') has conducted a review of the documents released by APRA on 12 November 2020 as part of its consultation on CPS 511.

HIF is a member of Private Healthcare Australia ('**PHA**') and Members Health Fund Alliance ('**MHFA**'). This submission is independent of any submission APRA may receive from PHA and/or MHFA.

First and foremost, HIF supports the direction and objectives of CPS 511.

HIF takes pride in being a values-centric, not-for-profit health fund with member interests at the heart of everything we do, how we operate, and the decisions we make. To us, the ethics of how we conduct our business is imperative to restoring community confidence within the private health insurance ('**PHI**') industry.

It is our view that remuneration practices and governance requirements must be geared toward positive community and consumer interests. This is inherently difficult to achieve within APRA's cross-industry approach to CPS 511 as the set of industries employ common reward practices that, through their mechanics and despite any performance weighting limits or overarching conduct expectations, fundamentally incentivise self-interest and profitability outcomes over member (or customer) and community interests.

Remuneration Framework – Service Providers

One specific area that HIF would like APRA to more fully consider and comment on is the application of CPS 511 to PHIs with respect to third-party service providers under sections 20(b)(iii) and 62(b)(iii).



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The PHI industry uses commercially engaged product aggregation services to support open product comparison and provide the benefit of additional acquisition channels that in turn provide choice within the industry.

HIF would be concerned with needing to govern the remuneration practices of another industry, and in potential conflict with commercial terms and relationships, and would appreciate APRA's consideration of the impact on PHIs of all sizes being put in the position of having to control or influence another industry's remuneration practices.

HIF therefore requests clarity regarding APRA's expectation of a PHI's remuneration oversight requirements over product aggregators and/or detail on APRA's approach to third-party industry oversight under CPS 511.

That said, HIF supports that all PHIs and associated consumer channels must operate ethically in their remuneration practices and conduct.

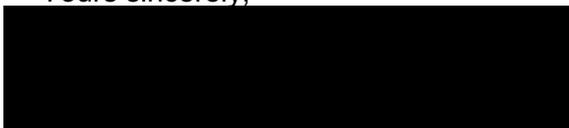
Closing Comments

As the PHI industry continues its integration under APRA, while HIF supports the directions and objectives of CPS 511, we question holding PHIs to the same requirements as other APRA-regulated industries. It should be acknowledged that this may place an inequitable burden of compounded governance complexity and cost on the PHI industry.

However, in the interests of industry leadership and restoring community confidence, HIF will aspire to prepare for and meet the requirements of CPS 511 to the standard of a significant financial institution ('SFI').

We look forward to receiving further guidance from APRA in the form of a final Prudential Standard and an associated Practice Guide that will assist with our preparations.

Yours sincerely,




Chief Executive Officer
Health Insurance Fund of Australia Limited

CC: Board
Nomination and Remuneration Committee
Risk, Compliance and Conduct Committee