

APRA CPS230: *Operational Risk Management*

2025 Industry Survey

Madeleine Mattera
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Introducing the PFS Survey

Why do a survey?

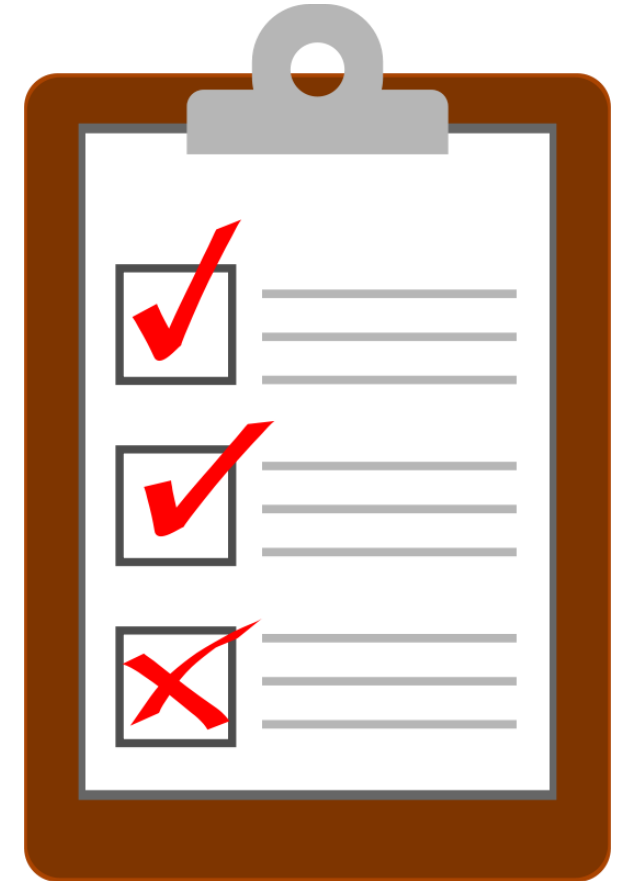
All 300+ APRA regulated financial institutions are working on the challenges of CPS230

Long gestation period

Its not over on 1 July 2025

Insurers, banks, super funds all working hard and face similar challenges

.....Can objective data help?



Coverage

- ✓ General Insurers
 - ✓ Life insurers
 - ✓ Friendly Societies
 - ✓ Superannuation Funds
-

X Private Health Insurers

X Banks



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Subject Matter

41 Questions covering

- Governance
- Operational Risk
- Critical Operations
- Service Providers

Themes

- *Readiness for 1 July 2025*
- *Key challenges*
- *Board engagement*
- *Material Service Providers*
- *Fourth Parties*
- *Op risk events*
- *Attitudes to CPS230*



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Insights | 12 working days to go!

Over 80% of entities expect to be substantially compliant by 1 July 2025

Most will have BRC and Board meetings to approve key policies already or in the next week

General insurers are slightly more optimistic than life insurers



Many entities are taking advantage of the one year extension of time to comply with BCP requirements in 230



Insights

Governance

100% of Life Boards and 94% of GI Boards are Interested or Highly interested in CPS230

Risk appetite and/or risk tolerances have been revised in full or in a structured manner in **92% of Life Insurers and 75% of General Insurers**

“We have a program of work in place to assist us be compliant by 1/7/25. We are on track to deliver this by the due date. Whilst it makes us compliant, we have additional work planned to enhance this compliance post 1/7/25”



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Operational Risk

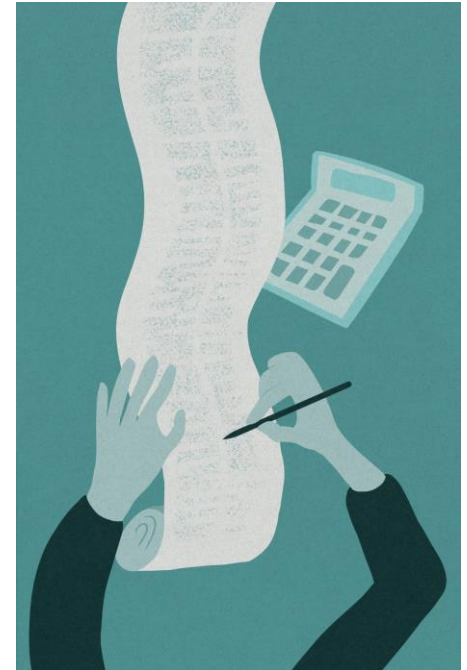
16% of Life Insurers do not have an Op Risk Framework at all or are currently developing one

1 or more Op Risk Events recorded for 2024 for **33% of Life Insurers and 43% of General Insurers**

Life Insurers experience higher remediation costs for op risk events than General Insurers (**Life reports 8% of events in the \$10-25m band, while GI has none in this band**)

IMPORTANT: PFS advises caution when interpreting the above op risk event data as some respondents reported data quality/availability concerns

“we don't report Operational risk events to APRA (unless its an outage type event)”



Insights

Critical Operations

- APRA has specified certain operations which must be treated as **Critical Operations (COs)**
- Beyond the APRA minimum, entities identified up to 10 COs
- Wide variations even within each cohort of General and of Life
- Claims and policy administration are typical Cos. What about Actuarial & Reinsurance?
- **BC/DR testing**
 - done at least annually but 10+% do more than 2x per year
 - how robust is the testing?



"Procedures/ process mapping of critical operations are available but need improvements."

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Service Providers

Material Service Providers

- 15 % of General Insurers & 17% of Life Insurers have 20+
- Most have 5-15 MSPs

Fourth Parties

- all have under 50 Fourth Parties

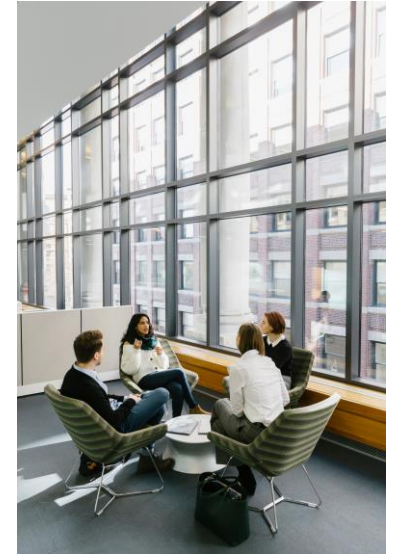
What are insurers doing differently?

- updating contracts, updating SLAs
- increasing scope & frequency of monitoring
- investing more in due diligence & onboarding new suppliers

What are insurers NOT doing?

- increasing insurance coverage
- imposing more onerous remedies for SLA breaches

"We have amended our Vendor Management policy, procedure and framework, as well as our outsourcing procedures."



Insights

Top 3 Challenges

General insurers

1. Coordinating with service providers & getting their support
2. Integrating BCP into Op Risk
3. Lack of internal resources

Life Insurers

1. Lack of internal resources
2. Interpreting CPS230 requirements
3. Coordinating with service providers & getting their support

Attitudes to CPS230



A significant cost imposition on a small sector of the economy that competes with non APRA regulated managed investments.



Uplift for operational risk was required, however, the impost and prescriptive requirements for non-SFIs are onerous.



Governance, management and oversight practices have not kept pace with proliferation of 3rd party utilisation. These introduce significant operational risks to organisations (certainly a key focus for us for past few years) so the uplift to oversight, management, and due diligence is absolutely necessary.



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Conclusions


- ✓ Operational risk is more than just another tick the box compliance task
- ✓ You can find out how your organisation is doing compared to others in the industry and in your sector
- ✓ There is no one size fits all and no magic bullet
- ✓ We have more quantitative and qualitative data to drive op risk assessment and capital management
- ✓ 1 July 2025 is not the try line – it's the start of the new game



Thank you ... Questions

Read the Survey Results on the Institute website

- We welcome your feedback and comments
- Please contact us at
 - ✉ : Madeleinemattera@PFSConsulting.com.au
 - ☎ : +61 413 309 481
 - 🌐 : www.PFSConsulting.com.au



Please contact us
to register for the
2026 Survey

