

# HIH, where does the buck stop?

Undisputedly there are many parties that are at fault in relation to the HIH multi-billion-dollar debacle. Amongst the obvious candidates at fault are the actuaries, Auditors “Arthur Anderson” and the Australian Prudential Regulation Authority (APRA), a commonwealth agency of which the federal government holds responsibility for.

The Federal Government may seek to avoid responsibility and blame the other parties but it is inevitable that they will have to accept a large portion of the responsibility. The Australian Prudential Regulation Authority (APRA), a commonwealth agency is supposed to regulate the insurance industry. It is stating the obvious to say that a \$1 billion failure means that the APRA has also failed, which by definition means that *the buck goes right to the top and stops at the prime ministers desk*. APRA, having failed to detect problems at HIH must act now and do its job to clean up the insurance industry. Premier Peter Beattie said “insurance industry regulator, the Australian Prudential Regulation Authority should be sacked because it was ran by a ‘pack of duds’”.

It is now time for the APRA to release to the public all they knew about the problems that HIH were facing and to say why they did not act promptly. Warning bells within the industry started ringing 12 months before the company collapsed. Last September *The Australian* began reporting on the company’s problems. Yet the APRA failed to realize the full extent of these problems. It is essential that the APRA lift its game to prevent any further disasters of this immense magnitude occurring in the future.

Whilst the Government should act immediately a full review and an enquiry of

the circumstances and role of all other parties should also be carried out by the A.S.I.C and action taken as appropriate against any other parties shown to be negligent. Mr. Howard said those responsible for the collapse would be held accountable. Presumably, the company had a team of responsible actuaries busy estimating and advising HIH about what liabilities could be expected given the level of premium business being written. And don’t forget auditors Arthur Anderson who earned \$1.7 million for their services last financial year for checking the numbers. Financial Services Minister Joe Hockey has rightly urged people not to lose sight of the fact HIH’s directors and it’s Auditors need to take the lions share of responsibility.

But settling who is to blame is only part of the job that needs to be done. The government must now act quickly to protect the poor innocent victims of the collapse who are suffering hardship. They are morally obliged to ensure that people who are unable to protect themselves do not suffer. Many of the victims however cannot wait for these processes and this is why the government must accept responsibility and act now. After several weeks defending the performance of regulators leading up to the HIH collapse the Howard Government is very quick to resist any suggestion it should fund plans to help the suffering victims of the disaster.

The collapse of HIH may prove be the final disaster that destroys the Howard government. However unfair it may be to the Howard (who undoubtedly knew nothing about HIH) the buck will land on his desk.

*By Matthew Volk*

