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Banking and Capital Markets Unit
Financial System Division
The Treasury
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8 June 2018

Dear Sir/Madam

PROPOSED FINANCIAL INSTITUTIONS SUPERVISORY LEVIES FOR 2018-19

The Insurance Council of Australia¹ (Insurance Council) appreciates the opportunity to comment on the proposed Financial Institutions Supervisory Levies (Levies) for 2018-19.

As Treasury has not engaged on the matters raised in previous Insurance Council submissions to the annual Levies consultation process, we will not reiterate in detail these concerns. However, for the record, we note the following points:

- It is critical that an adequately transparent framework be in place to ensure regulators deliver value for money. The general insurance sector's contribution to the Levies is significant; it is therefore important that the sector knows how its contribution will be allocated and used.
- It is poor process that the sector is being asked to respond to this consultation in the absence of the Cost Recovery Implementation Statement (CRIS) from APRA and that the CRIS will be released following this consultation. It is difficult to see how any stakeholder feedback to this consultation process can be realistically evaluated within such a short period of time and incorporated into the CRIS before its release. The Insurance Council would appreciate the Government encouraging regulators to release their CRISs concurrently with the levies consultation processes
- We are also concerned that there remains a lack of detail, beyond internal estimates of resource utilisation for each industry sector, on the way that resources will be allocated and used to support the regulation and supervision of the general insurance sector.
- In order to be able to comment meaningfully on the appropriate level of levy funding, industry requires adequate dialogue with regulators on how they see the current

¹ The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent more than 90 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. March 2017 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross written premium of \$45 billion per annum and has total assets of \$123.6 billion. The industry employs approximately 60,000 people and on average pays out about \$142 million in claims each working day.

Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

regulatory landscape and their proposed priorities for the coming year. It remains unclear how the cost impact to general insurers can be assessed in isolation from regulators consulting with industry and in absence of an activity specific breakdown of total funding costs.

- The Insurance Council remains concerned that the annual Levies consultation process continues to fail key requirements of the Australian Government's July 2015 Charging Framework² and July 2014 Cost Recovery Guidelines³.
- We consider that, early in the budget development process, industry should be given an opportunity to provide feedback on: the specifics of a regulator's work program planned for the year ahead; strategic priorities; and the associated level of proposed resourcing.
- In line with the Government's ongoing commitment to regulatory efficiency, this could also be an opportunity for regulators and industry to discuss the scope for further deregulatory and efficiency initiatives. Once account had been taken of industry views, the final regulator budget and any relevant levies could be submitted to Government, with a summary of the feedback received from industry and the regulator's response.
- This would be in line with the 2013 Australian National Audit Office (ANAO) report on the determination and collection of financial industry levies, which recommended the need for:

"... a formal opportunity at an early stage in the financial year for APRA and relevant stakeholders to discuss issues relating to the levies processes. This could involve the establishment of a stakeholder panel, potentially led by the Treasury, and including all Australian Government agencies with responsibilities for financial industry levies".

If you have any questions or comments in relation to our submission, please contact John Anning, the Insurance Council's General Manager Policy, Regulation Directorate, on (02) 9253 5121 or janning@insurancecouncil.com.au.

Yours sincerely



for
Robert Whelan
Executive Director & CEO

² Charging Principles: transparency; efficiency; performance; equity; simplicity; and policy consistency.

³ Australian Government Cost Recovery Guidelines (pp. 11-12): "Transparency is about openness ... and a willingness to explain activities and actions. It allows appropriate scrutiny of government activities, decisions and processes by providing access to information ... transparency means documenting key information about the activity ... in an accessible way for those who pay charges and for other stakeholders ... Successful stakeholder engagement is most likely to occur when it is well planned and when government entities enter into a meaningful dialogue with stakeholders, consider their views...".