

13 June 2019

Manager  
Banking and Access to Finance Unit  
Financial System Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Sir/Madam

### **PROPOSED FINANCIAL INSTITUTIONS SUPERVISORY LEVIES FOR 2019-20**

The Insurance Council of Australia<sup>1</sup> (Insurance Council) appreciates the opportunity to comment on the proposed Financial Institutions Supervisory Levies (Levies) for 2019-20.

As we have emphasised in previous submissions to the annual Levies consultation process, 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.

We note that the general insurance sector's APRA component of the Levies for 2019-20 will be increasing from \$21.4 million in 2018-19 to \$30 million in 2019-20, an increase of 40.2%. In contrast, APRA's total Levies requirement across all industries is set to increase by 31.4%, and the ADI sector's contribution is set to increase by 24.4% over the same period. We query why the general insurance sector's contribution is set to increase at a faster rate than the other sectors.

The Insurance Council is concerned that the sector is responding to this consultation in the absence of the Cost Recovery Implementation Statement (CRIS) from APRA and that the CRIS will be released by 30 June 2019, 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.

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.

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<sup>1</sup> The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent approximately 95 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 2019 Australian Prudential Regulation Authority statistics show that the general insurance industry generates gross written premium of \$47.8 billion per annum and has total assets of \$125.8 billion. The industry employs approximately 60,000 people and on average pays out about \$147.5 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).

We also wish to raise again 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”.*

The Insurance Council continues to strongly support the ANAO’s recommendation and urges the Treasury to consider its adoption.

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

Yours sincerely



Robert Whelan  
Executive Director and CEO