

19 September 2019

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

Dear Sir/Madam

Financial Institutions Supervisory Levies Methodology

The Insurance Council of Australia¹ (Insurance Council) appreciates the opportunity to comment on Treasury's Discussion Paper "Financial Institutions Supervisory Levies methodology" (the Discussion Paper). Our submission focuses on consultation question 3 "Does the current levies methodology provide adequate transparency and is it appropriate for industry subsectors?"

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, and continues to increase. In 2019-20, the general insurance sector's APRA component of the levies will be \$30 million, a 40.2% increase from the previous year. It is therefore important that the sector knows how its contribution will be allocated and used.

A Cost Recovery Impact Statement (CRIS) aims to provide transparency on APRA's cost recovery. As noted in the Discussion Paper, industry has indicated concerns with the current practice of APRA publishing its CRIS after the annual levies consultation process. The Insurance Council shares those concerns. The Insurance Council would appreciate the Government encouraging regulators to release their CRISs concurrently with the levies consultation process, rather than at its conclusion. This would allow industry to meaningfully respond to the annual levies consultation.

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

¹ 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. June 2019 Australian Prudential Regulation Authority statistics show that the general insurance industry generates gross written premium of \$48.4 billion per annum and has total assets of \$128.4 billion. The industry employs approximately 60,000 people and on average pays out about \$151.4 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).

used to support the regulation and supervision of the general insurance sector. To promote transparency, APRA should show the calculation which has been applied to determine the annual levies.

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.

Yours sincerely



Robert Whelan
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