



# General Insurance Supervisory Levy Imposition Determination 2010<sup>1</sup>

*General Insurance Supervisory Levy Imposition Act 1998*

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I, CHRIS BOWEN, Minister for Financial Services, Superannuation and Corporate Law, make this Determination under subsection 8 (3) of the *General Insurance Supervisory Levy Imposition Act 1998*.

Dated 30 June 2010

CHRIS BOWEN

Minister for Financial Services, Superannuation and Corporate Law

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### 1 Name of Determination

This Determination is the *General Insurance Supervisory Levy Imposition Determination 2010*.

### 2 Commencement

This Determination commences on 1 July 2010.

### 3 Revocation

The *General Insurance Supervisory Levy Imposition Determination 2009* is revoked.

### 4 Interpretation

(1) In this Determination:

**2010–2011 financial year** means the financial year beginning on 1 July 2010.

**Act** means the *General Insurance Supervisory Levy Imposition Act 1998*.

**designated security trust fund** has the meaning given by section 69 of the *Insurance Act 1973*.

**foreign general insurer** has the same meaning as in the *Insurance Act 1973*.

**Form GRF 300.0: Statement of Financial Position (B)** means the Form titled GRF\_300\_0\_B: Statement of Financial Position (B) that forms part of Reporting Standard GRS 300.0 (2008).

**Form GRF 300.0: Statement of Financial Position (L)** means the Form titled GRF\_300\_0\_L: Statement of Financial Position (L) that forms part of Reporting Standard GRS 300.0 (2008).

**general insurance company** includes Lloyd's.

**Lloyd's** has the meaning given by section 3 of the *Insurance Act 1973*.

**policy file** means:

- (a) the document required to be submitted by a general insurance company to APRA under Reporting Standard GRS 800.1 (2005), containing the information about individual insurance policies required by the data specifications set out in the Schedule to that Standard; or
- (b) the document required to be submitted by a general insurance company to APRA under Reporting Standard LOLRS 800.1 (2005), containing the information about individual insurance policies required by the data specifications set out in the Schedule to that Standard.

**product liability insurance** includes insurance that provides for compensation for:

- (a) loss; or
- (b) injury; or
- (c) loss and injury;

caused by, or as a result of, the use of goods.

**professional indemnity insurance** includes:

- (a) insurance that provides cover for a professional person for actions taken against that professional in tort, contract or under statute law in respect of advice or services provided as part of his or her professional practice, including cover in respect of damages and legal expenses; and
- (b) directors' and officers' liability insurance and legal expense insurance; and
- (c) medical indemnity insurance.

**public liability insurance** includes:

- (a) insurance covering legal liability to the public in respect of bodily injury or property damage arising out of the operation of the insured's business; and
- (b) insurance in respect of environmental clean-up costs resulting from pollution where not covered by Fire and Industrial Special Risk policies.

**record** means a line entry or row in a policy file that contains information relating to a single insurance policy.

**reporting period**, in relation to a general insurance company, means the reporting period that applies to the company under paragraph 6 or 7 of Reporting Standard GRS 300.0 (2008).

**Reporting Standard GRS 300.0 (2008)** means Reporting Standard GRS 300.0 (2008) Statement of Financial Position made by Financial Sector (Collection of Data) (reporting standard) determination No. 77 of 2008 under section 13 of the *Financial Sector (Collection of Data) Act 2001*.

**Reporting Standard GRS 800.1 (2005)** means Reporting Standard GRS 800.1 (2005) Policy Data: Public and Product Liability and Professional Indemnity Insurance made by Financial Sector (Collection of Data) determination No. 30 of 2005 under section 13 of the *Financial Sector (Collection of Data) Act 2001*.

**Reporting Standard LOLRS 800.1 (2005)** means Reporting Standard LOLRS 800.1 (2005) Policy Data: Public and Product Liability and Professional Indemnity Insurance made by Financial Sector (Collection of Data) determination No. 33 of 2005 under section 13 of the *Financial Sector (Collection of Data) Act 2001*.

**valuation day** means:

- (a) for a general insurance company that was a general insurance company at all times during the period from 17 March 2010 to 30 June 2010 — 31 March 2010; and
  - (b) for a general insurance company that was a general insurance company for some, but not all, of the period from 17 March 2010 to 30 June 2010 — the day, after 17 March 2010, on which it became a general insurance company; and
  - (c) for a general insurance company that became a general insurance company after 30 June 2010 — the day on which it became a general insurance company.
- (2) In this Determination, a reference to a period from a specified date to another specified date includes both of those dates.

## 5 General component

For paragraphs 8 (3) (a), (b), (c) and (ca) of the Act, Table 5 sets out matters for the 2010–2011 financial year.

**Table 5**

Item	Company	Maximum restricted levy amount (\$)	Minimum restricted levy amount (\$)	Restricted levy percentage	Unrestricted levy percentage
1	General insurance company	835 000	4 700	0.02023	0.007776

## 6 Levy base

- (1) For paragraph 8 (3) (d) of the Act, a general insurance company's levy base is to be worked out using subsections (2) to (4).
- (2) The levy base of Lloyd's is the value of the amounts standing to the credit of all designated security trust funds as at 31 March 2010.
- (3) If the general insurance company was not a foreign general insurer on the valuation day, its levy base is the value of the company's assets as at the valuation day, worked out in the same way as for item 15 (**Total assets**) in Form GRF 300.0: Statement of Financial Position (L).
- (4) If the general insurance company was a foreign general insurer on the valuation day, its levy base is the value of the company's assets as at the valuation day, worked out in the same way as for item 15 (**Total assets**) in Form GRF 300.0: Statement of Financial Position (B).

## 7 Special component

- (1) For paragraphs 8 (3) (e), (f) and (g) of the Act, Table 7 sets out matters for the 2010–2011 financial year in relation to the general insurance companies covered by the table.

**Table 7**

**Part 1 Public/product only insurer or professional only insurer**

Item	Company	Special maximum levy amount on public/product EPI (\$)	Special levy percentage on public/product EPI	Special maximum levy amount on professional EPI (\$)	Special levy percentage on professional EPI	Special minimum levy amount (\$)
1.1	Public/product only insurer	50 000	0.0221	N/A	N/A	5 000
1.2	Professional only insurer	N/A	N/A	32 000	0.0170	5 000

**Part 2 Public/product + professional insurer**

Item	Company	Special maximum levy amount on public/product EPI (\$)	Special maximum levy amount on professional EPI (\$)	Special minimum levy amount (\$)	Special levy percentage
2.1	Public/product + professional insurer	50 000	32 000	5 000	<p>A percentage worked out as follows:</p> <p>(a) Work out 0.0221% of the public/product EPI and, if necessary:</p> <p>(i) reduce the result to the special maximum levy amount; or</p> <p>(ii) increase the result to the special minimum levy amount. This is amount <b>A</b></p> <p>(b) Work out 0.0170% of the professional EPI and, if necessary:</p> <p>(i) reduce the result to the special maximum levy amount; or</p> <p>(ii) increase the result to the special minimum levy amount. This is amount <b>B</b></p> <p>(c) Add A and B. This is amount <b>C</b></p>

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### **Part 2 Public/product + professional insurer**

Item	Company	Special maximum levy amount on public/product EPI (\$)	Special maximum levy amount on professional EPI (\$)	Special minimum levy amount (\$)	Special levy percentage
					(d) Add the public/product EPI and the professional EPI. This is amount <i>D</i>
					(e) The special levy percentage is the same percentage as C is of D

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### **Part 3 General insurance company in runoff**

Item	Company	Special maximum levy amount on EPI	Special levy percentage on EPI	Special minimum levy amount (\$)
3.1	Public/product only runoff insurer	2 500	0.0	2 500
3.2	Professional only runoff insurer	2 500	0.0	2 500
3.3	Public/product + professional runoff insurer	5 000	0.0	5 000

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(2) In Table 7:

**EPI** means both classes of eligible premium income referred to in subsection 8 (2) of this Determination.

**general insurance company in runoff** means a general insurance company that did not issue or renew any insurance policies of any of the following kinds during the 2009 calendar year:

- (a) public liability insurance;
- (b) product liability insurance;
- (c) professional indemnity insurance.

**professional only insurer:**

- (a) means a general insurance company that:
  - (i) carried on professional indemnity insurance during the 2009 calendar year; and
  - (ii) did not carry on public liability insurance during the 2009 calendar year; and
  - (iii) did not carry on product liability insurance during the 2009 calendar year; but
- (b) does not include a general insurance company in runoff.

**professional only runoff insurer** means a general insurance company in runoff that:

- (a) has liabilities in respect of professional indemnity insurance; and
- (b) has no liabilities in respect of public liability insurance; and
- (c) has no liabilities in respect of product liability insurance.

***public/product only insurer:***

- (a) means a general insurance company that:
  - (i) carried on either or both of public liability insurance and product liability insurance during the 2009 calendar year; and
  - (ii) did not carry on professional indemnity insurance during the 2009 calendar year; but
- (b) does not include a general insurance company in runoff.

***public/product only runoff insurer*** means a general insurance company in runoff that:

- (a) has liabilities in respect of public liability insurance or product liability insurance; and
- (b) has no liabilities in respect of professional indemnity insurance.

***public/product + professional insurer:***

- (a) means a general insurance company that:
  - (i) carried on either or both of public liability insurance and product liability insurance during the 2009 calendar year; and
  - (ii) carried on professional indemnity insurance during the 2009 calendar year; but
- (b) does not include a general insurance company in runoff.

***public/product + professional runoff insurer*** means a general insurance company in runoff that:

- (a) has liabilities in respect of either or both of public liability insurance and product liability insurance; and
- (b) has liabilities in respect of professional indemnity insurance.

***special levy percentage on professional EPI*** means the special levy percentage (within the meaning of paragraph 8 (3) (g) of the Act) on the class of eligible premium income referred to in paragraph 8 (2) (a) of this Determination.

***special levy percentage on public/product EPI*** means the special levy percentage (within the meaning of paragraph 8 (3) (g) of the Act) on the class of eligible premium income referred to in paragraphs 8 (2) (b), (c) and (d) of this Determination.

***special maximum levy amount on professional EPI*** means the special maximum levy amount (within the meaning of paragraph 8 (3) (e) of the Act) in relation to the special component of levy on the class of eligible premium income referred to in paragraph 8 (2) (a) of this Determination.

***special maximum levy amount on public/product EPI*** means the special maximum levy amount (within the meaning of paragraph 8 (3) (e) of the Act) in relation to the special component of levy on the class of eligible premium income referred to in paragraphs 8 (2) (b), (c) and (d) of this Determination.

***special minimum levy amount*** has the same meaning as in paragraph 8 (3) (f) of the Act.

**8 Eligible premium income**

- (1) For paragraph 8 (3) (h) of the Act, a general insurance company's eligible premium income is to be worked out using subsections (2) to (6).
- (2) The part of the general insurance company's premium income that is eligible premium income is:
  - (a) gross premium income from professional indemnity insurance during the 2009 calendar year, calculated in accordance with subsection (5); and
  - (b) for a general insurance company that carries on public liability insurance, but not product liability insurance — gross premium income from that public liability insurance during the 2009 calendar year, calculated in accordance with subsection (3); and
  - (c) for a general insurance company that carries on product liability insurance, but not public liability insurance — gross premium income from that product liability insurance during the 2009 calendar year, calculated in accordance with subsection (3); and
  - (d) for a general insurance company that carries on public liability insurance and product liability insurance — gross premium income from that public liability insurance and product liability insurance during the 2009 calendar year, calculated in accordance with subsection (3).
- (3) Gross premium income from public liability insurance, and gross premium income from product liability insurance, during the 2009 calendar year is the sum of:
  - (a) the aggregate of the amounts required to be reported in the policy file in the column headed 'Gross Earned Premium' (and referred to as 'field 15b') for each of the reporting periods ending 30 June 2009 and 31 December 2009, where the class of business reported in the column headed 'Class of Business' (and referred to as 'field 2') is 'Public & Product' ('PL'); and
  - (b) for each record in relation to which the general insurance company has not completed the column headed 'Gross Earned Premium' — the aggregate of GEP amounts for each such record calculated in accordance with subsection (4).
- (4) For subsection (3), a **GEP amount** is the amount calculated using the formula:

$$\text{GAP} \times \text{F}$$

where:

**GAP** is the gross annualised premium reported in respect of the relevant policy in the column headed 'Gross Annualised Premium' (and referred to as 'field 15a') for each of the reporting periods ending 30 June 2009 and 31 December 2009, where the class of business reported in the column headed 'Class of Business' (and referred to as 'field 2') is 'Public & Product' ('PL').



*F* is the number of days in the 6 month reporting period during which the policy was in force, expressed as a percentage of the number of days in the relevant calendar year.

- (5) Gross premium income from professional indemnity insurance during the 2009 calendar year is the sum of:
- (a) the aggregate of the amounts required to be reported in the policy file in the column headed 'Gross Earned Premium' (and referred to as 'field 15b') for each of the reporting periods ending 30 June 2009 and 31 December 2009 where the class of business reported in the column headed 'Class of Business' (and referred to as 'field 2') is 'Professional Risk' ('PI'); and
  - (b) for each record in relation to which the general insurance company has not completed the column headed 'Gross Earned Premium' — the aggregate of GEP amounts for each such record calculated in accordance with subsection (6).
- (6) For subsection (5), a **GEP amount** is the amount calculated using the formula:

$$\text{GAP} \times F$$

where:

**GAP** is the gross annualised premium reported in respect of the relevant policy in the column headed 'Gross Annualised Premium' (and referred to as 'field 15a') for each of the reporting periods ending 30 June 2009 and 31 December 2009, where the class of business reported in the column headed 'Class of Business' (and referred to as 'field 2') is 'Professional Risk' ('PI').

*F* is the number of days in the 6 month reporting period during which the policy was in force, expressed as a percentage of the number of days in the relevant calendar year.

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## Note

1. All legislative instruments and compilations are registered on the Federal Register of Legislative Instruments kept under the *Legislative Instruments Act 2003*. See <http://www.frli.gov.au>.