

EXPLANATORY STATEMENT

General Insurance Supervisory Levy Imposition Determination 2019

This determination relates to a levy imposed by the *General Insurance Supervisory Levy Imposition Act 1998* (the Act) on companies registered under the *Insurance Act 1973*.

This determination commences on 1 July 2019 and relates to the 2019-20 financial year. The *General Insurance Supervisory Levy Imposition Determination 2018* is repealed upon commencement of this determination. Consistent with section 7 of the *Acts Interpretation Act 1901*, any obligation or liability incurred in previous financial years remains valid.

Subsection 8(1AA) of the Act specifies that the amount of levy payable by a general insurance company for a financial year is the sum of the general component and special component.

The 2019-20 financial year general component levy

For 2019-20 financial year, the general component will fund the operations of the Australian Prudential Regulation Authority (APRA) and certain activities performed by the Australian Securities and Investments Commission.

In relation to the general component, subsection 8(3) of the Act requires the Treasurer, by legislative instrument, to determine:

- the maximum restricted levy amount for each financial year;
- the minimum restricted levy amount for each financial year;
- the restricted levy percentage for each financial year;
- the unrestricted levy percentage for each financial year; and
- how a general insurance company's levy base is to be worked out.

This determination provides that the restricted component of the 2019-20 general levy will be calculated at 0.02267 per cent of assets held by the entity, subject to a minimum of \$15,000 and a maximum of \$1,300,000. The unrestricted component of the 2019-20 general levy will be calculated at 0.007427 per cent of assets held by the entity.

The 2019-20 financial year special component levy

For the 2019-20 financial year, the special component will fund the costs of the National Claims and Policies Database. This component was levied for the first time in the 2006-07 financial year following amendments to the *General Insurance Supervisory Levy Imposition Act 1998*.

In relation to the special component, subsection 8(3) of the Act requires the Treasurer to determine:

- the special maximum levy amount for each financial year;
- the special minimum levy amount for each financial year;
- the special levy percentage for each financial year; and
- how a general insurance company's eligible premium income (EPI) is to be worked out.

This determination provides that for a public/product liability insurer the special levy amount will be calculated at 0.0370 per cent of the insurer's EPI, subject to a minimum of \$5,000 and a maximum of \$50,000. For a professional liability insurer the special levy amount will be calculated at 0.0256 per cent of the insurer's EPI, subject to a minimum of \$5,000 and a maximum of \$32,000.

This determination provides that the special levy payable by an insurer that writes both public/product liability and professional indemnity insurance is determined by adding the sum of:

- 0.0370 per cent of the insurer's EPI, arising from public/product liability insurance, subject to a minimum of \$10,000 and a maximum of \$50,000; and
- 0.0256 per cent of the insurer's EPI, arising from professional indemnity insurance, subject to a minimum of \$10,000 and a maximum of \$32,000.

This determination provides that for either a public/product or professional indemnity runoff insurer the special levy amount will be \$2,500. For insurers that provide both public/product and professional indemnity runoff insurance, the special levy amount will be \$5,000.

This determination incorporates matters from the following instruments:

- the *Financial Sector (Collection of Data) (reporting standard) determination No. 16 of 2013*;
- the *Financial Sector (Collection of Data) (reporting standard) determination No. 16 of 2016*; and
- the *Financial Sector (Collection of Data) (reporting standard) determination No. 19 of 2016*.

Those instruments are disallowable legislative instruments, and are available on the Federal Register of Legislation.

The finance sector has been consulted on the 2019-20 supervisory levies through a Treasury and APRA discussion paper released on the Treasury website on 4 June 2019. The paper discusses potential impacts of the levies on each industry sector and institution regulated by APRA. Six submissions were received during the consultation process, none of which related specifically to the methodology for this levy.

The Office of Best Practice Regulation has previously advised that a Regulatory Impact Statement is not required as supervisory levies are considered *machinery-of-government* in nature.

This determination is a legislative instrument for the purposes of the *Legislation Act 2003*.

A statement of compatibility with human rights for the purposes of Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* is set out in [Attachment 1](#).

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

General Insurance Supervisory Levy Imposition Determination 2019

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

This determination relates to a levy imposed by the *General Insurance Supervisory Levy Imposition Act 1998* on companies registered under the *Insurance Act 1973*.

Subsection 8(1AA) specifies that the levy payable by a general insurance company for a financial year is to comprise of a general component and a special component.

Subsection 8(3) requires the Treasurer to determine:

- the maximum restricted levy amount for each financial year;
- the minimum restricted levy amount for each financial year;
- the restricted levy percentage for each financial year;
- the unrestricted levy percentage for each financial year;
- how a general insurance company's levy base is to be worked out;
- the special maximum levy amount for each financial year;
- the special minimum levy amount for each financial year;
- the special levy percentage for each financial year; and
- how a general insurance company's eligible premium income is to be worked out.

Human rights implications

This Legislative Instrument does not engage any of the applicable rights or freedoms.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.