Australian Government
The Treasury

Proposed Financial Institutions Supervisory Levies for 2022-23

Discussion paper

May 2022

treasury.gov.au

Manager
Media and Speeches Unit
The Treasury
Langton Crescent
Parkes ACT 2600
Email: media@treasury.gov.au

Contents

Consultation Process

Request for feedback and comments

Closing date for submissions: 10 June 2022

Email	supervisorylevies@treasury.gov.au
Mail	Director Regulator Oversight and Engagement Unit The Treasury Langton Crescent PARKES ACT 2600
Enquiries	Enquiries can be directed to Isobel Sloan
Phone	02 6263 4041

Introduction

The purpose of this paper is to seek industry views on the proposed Financial Institutions Supervisory Levies ('the levies' or 'FISLs') that will apply for the 2022–23 financial year. The levies are set to recover the majority of the operational costs of the Australian Prudential Regulation Authority (APRA), and other specific costs incurred by certain Commonwealth agencies.

This paper, prepared by Treasury, in conjunction with APRA, sets out information about the total expenses for the activities to be undertaken by APRA and certain Commonwealth agencies in 2022-23, to be funded through commensurate levies revenue to be collected in 2022–23.

Australian Government Cost Recovery

In December 2002, the Government adopted a formal cost recovery policy to improve the consistency, transparency and accountability of cost recovered activities and promote the efficient allocation of resources. Cost recovery involves government entities charging individuals or non-government organisations some or all of the efficient costs of a specific government activity. This may include goods, services or regulation, or a combination of these.

The Australian Government Charging Framework (introduced 1 July 2015) and Cost Recovery Guidelines (CRGs, revised 1 July 2014) set out the overarching policy under which government entities design, implement and review cost recovered activities. In line with the policy, individual portfolio ministers are ultimately responsible for ensuring entities' implementation and compliance with the CRGs.

APRA's funding is outlined in the annual Treasury Portfolio Budget Statements. Generally, additional funding is provided to APRA through budget measures that are outlined in documents published on the www.budget.gov.au website.

An updated Cost Recovery Implementation Statement (CRIS) will be released by APRA at the earliest possible date, but no later than 30 June 2022, which will provide further transparency around the cost of APRA's activities and the corresponding impact on the levies.

Policy and legislative basis for the levies

APRA's costs, and other Commonwealth agencies' costs, incurred in connection with supporting the integrity and efficiency of markets and promoting the interests of consumers in the financial system, are funded through levies on those industries that are prudentially regulated by APRA. Essentially, the levies are imposed to ensure that the full cost of regulation is recovered from those who benefit from it.

The legislative framework for these levies is established by the *Financial Institutions Supervisory Levies Collection Act 1998*, which prescribes the timing of payment and the collection of levies. A suite of imposition Acts impose levies on regulated industries. For all industries, with the exception of the private health insurers (PHIs), these Acts set a CPI indexed statutory upper limit (which the restricted maximum cannot exceed) and provide for the Minister to make a determination as to certain matters such as the percentages for each restricted and unrestricted levy component, the maximum and minimum levy amounts applicable to each restricted levy component, and the date at which the entity's levy is to be calculated. Meanwhile, the imposition Act for PHIs imposes a levy on regulated institutions by setting a rate for each complying single and joint health insurance policy on issue on the census day.

Annually, the Minister makes a determination under each of the following Acts to provide the legal basis to impose a levy:

- *Authorised Deposit-taking Institutions Supervisory Levy Imposition Act 1998;*
- *Authorised Non-operating Holding Companies Supervisory Levy Imposition Act 1998;*
- *Life Insurance Supervisory Levy Imposition Act 1998;*
- *General Insurance Supervisory Levy Imposition Act 1998;*
- *Retirement Savings Account Providers Supervisory Levy Imposition Act 1998;*
- *Superannuation Supervisory Levy Imposition Act 1998;* and
- *Private Health Insurance Supervisory Levy Imposition Act 2015.*

The Government has also provided authority to APRA to recover other specific costs incurred by certain Commonwealth agencies. The Minister's determination in this regard, under the *Australian Prudential Regulation Authority Act 1998*, is to recover the costs of:

a) supporting the integrity and efficiency of markets in which leviable bodies operate;
b) promoting the interests of consumers in markets in which leviable bodies operate;
c) administering the function of making determinations about the release on compassionate grounds of benefits that are in a superannuation entity or retirement savings account;
d) governing and maintaining the superannuation transactions network; and
e) the regulation of leviable bodies.

Costs recovered for the above include costs incurred by the Australian Securities and Investments Commission (ASIC), the Australian Taxation Office (ATO), the Australian Competition and Consumer Commission (ACCC) and the Gateway Network Governance Body.

The total funding for these agencies raised under the levies is set through the annual Budget process.

APRA's activities

APRA seeks to achieve its purpose by adopting a supervision-led approach. APRA undertakes prudential supervision with a view to (i) identifying risks and vulnerabilities within the financial system that might jeopardise its purpose, and (ii) acting to ensure those risks and vulnerabilities are mitigated. By employing a supervision-led approach, APRA seeks to be forward-looking, risk-based, and outcomes-focused – addressing potential problems before they adversely impact those APRA is tasked to protect. A supervision-led approach also assists in minimising regulatory burden and facilitating competition and innovation.

APRA does not pursue a zero-failure objective. APRA cannot eliminate the risk that any institution might fail, and it recognises that attempting to do so would impose an unnecessary burden on institutions and the financial system. APRA seeks to maintain a low incidence of failure of APRA-regulated institutions whilst not unduly hindering efficiency, competition or otherwise impeding the competitive neutrality or contestability of the financial system. APRA's aim is to identify likely failure of an APRA-regulated institution early enough so that corrective action can be promptly initiated, or an orderly exit achieved.

The shape and structure of the Australian financial system is rapidly evolving and risks to APRA, financial institutions, the financial system and the broader Australian community can emerge quickly. Each year, in setting its strategic priorities, APRA takes into consideration changes in its operating environment and the Government's policy priorities to ensure it continues to effectively deliver on its statutory objectives and APRA's Statement of Intent in response to the current Statement of Expectations for APRA[1] (which was issued by the former Government in June 2018). APRA's strategic priorities are outlined in its rolling four-year Corporate Plan published annually. APRA's 2021-2025 Corporate Plan is focused on two strategic themes: 'protected today' and 'prepared for tomorrow'. These themes are designed to drive organisational focus on delivering APRA's purpose and key outcomes for the Australian community so as to ensure resilient and prudently managed financial institutions; promote the stability of the Australian financial system; and contribute to the Australian community's ability to achieve good financial outcomes.

COVID-19 remains an influence on the economic and financial environment, but it is not the only important influence. As a forward-looking prudential supervisor, APRA updated its Corporate Plan with a wider perspective acknowledging that, while the pandemic is yet to be overcome, there are other important factors influencing the shape and risk profile of the financial system, to which APRA needs to respond. APRA's strategic priorities and activities will be reviewed as part of setting APRA's 2022-2026 Corporate Plan.

APRA works closely with other regulatory agencies to achieve its purpose and strategic priorities including those that form part of the Council of Financial Regulators (CFR), which includes the Department of the Treasury (the Treasury), the Reserve Bank of Australia (RBA), and the Australian Securities and Investments Commission (ASIC). Key activities for 2022-23 are captured within the Corporate Plan available on APRA's website[2].

Some of APRA's activities are not funded by levies. Rather, the costs are recovered by direct user charges or through direct Government funding. The cost of the following activities will not be recovered through the levies:

- accreditation of authorised deposit-taking institutions (ADIs) with sophisticated risk management systems that are adopting 'advanced' approaches for determining capital adequacy permitted under the Basel II Framework, and ongoing specialised supervision of accredited ADIs;
- accreditation of general insurers with robust internal models to use these models to meet capital adequacy requirements;
- licencing fees; and
- the provision of statistical reports to the RBA, the Australian Bureau of Statistics (ABS); and the Department of Foreign Affairs and Trade (DFAT).

[1] https://www.apra.gov.au/statement-of-expectations-2018
[2] https://www.apra.gov.au/apra-2021-25-corporate-plan

Summary of levies funding requirements for 2022-23

The total funding required under the levies in 2022-23 for all relevant Commonwealth agencies is $259.6 million. This is a $2.4 million (0.9 per cent) decrease from the 2021-22 requirement. The slight decrease is attributable to the decrease in APRA's levies requirements (see next section for details) partially offset by an increase in the Australian Taxation Office (ATO) component[3].

The components of the levies are outlined in Table 1.

Table 1: Total levies funding required

	2021-22 Budget ($m)	2022-23 Budget ($m)	Change ($m)	Change (%)
APRA	220.8	214.8	(6.0)	(2.7)
ASIC	0.1	0.1	-	-
ATO	36.8	40.5	3.7	10.0
ACCC	3.5	3.5	-	-
Gateway Network Governance Body	0.7	0.7	-	-
Prior year under-collection for agencies, other than APRA	0.1	-	(0.1)	(100.0)
Total	**262.0**	**259.6**	**(2.4)**	**(0.9)**

APRA's 2022-23 levy funding requirements

APRA's net funding requirements under the levies for 2022-23 are shown in Table 2 below.

The budgeted total cost for APRA for 2022-23 is $227.8 million, a $2.0 million (0.9 per cent) increase relative to the 2021-22 Budget. The higher amount is due to a funding increase from the 2021-22 Mid-Year Economic and Fiscal Outlook measure 'Maintaining APRA's capacity to respond to risks within the financial system', largely offset by the wind-up of the 2020-21 Budget measure 'Treasury Portfolio – additional funding'.

Other components of the funding requirements include:

- A further $1.0 million to provide for future enforcement expenses;
- Removal of $8.9 million of non-levy income (refer to Table 3);
- Return of $1.8 million of prior year over-collected levies to industry; and
- Removal of the cost increase of $3.4 million arising from the introduction of AASB-16 Leases.

APRA's underlying net levies funding requirement for 2022-23 is $214.8 million, a decrease of $6.0 million (2.7 per cent) relative to the funding requirement for 2021-22.

[3] Refer to page 7 for ATO activities funded through the levies.

Table 2: APRA — Levies funding required

	2021-22	2022-23		
	Budget ($m)	Budget ($m)	Change ($m)	Change (%)
APRA – operating expenses	225.8	227.8	2.0	0.9
APRA – contingency enforcement fund	1.0	1.0	-	-
Non-Levy income (Table 3)	(8.5)	(8.9)	(0.4)	4.7
Prior year under / (over) collected revenue (recouped / refunded) from industry (Table 4)	0.3	(1.8)	(2.1)	(642.9)
Unspent 2020-21 expenses deferred into 2021-22	(7.0)	-	7.0	(100.0)
2020-21 additional funding to be collected in 2021-22	12.8	-	(12.8)	(100.0)
Removal of impact of AASB16 - Leases	(3.6)	(3.4)	0.2	(5.9)
Net funding met through industry levies	**220.8**	**214.8**	**(6.0)**	**(2.7)**

Table 3 below outlines the other sources of APRA revenue (or Non-Levy income) available to partially fund APRA expenditure.

Table 3: Non-Levy income

	2021–22	2022–23		
Non-Levy income	Budget ($m)	Budget ($m)	Change ($m)	Change (%)
Appropriations - National Claims and Policies Database	(1.0)	(1.1)	(0.1)	11.6
- Other	(2.7)	(3.0)	(0.3)	12.2
Provision of goods and services	(4.8)	(4.8)	0.0	(0.9)
Total	**(8.5)**	**(8.9)**	(0.4)	4.7

'Other' appropriations funding relates largely to a government appropriation received for interest received on APRA's cash reserves.

Adjustment for over-collected levies

To ensure that industry does not pay any more or less than the cost of prudential regulation and to maintain the integrity of the levies funding mechanism, the industry levies funding requirement is adjusted each year by over- and under-collected levies from prior periods.

There will be an over-collection of the levies of $1.8 million based on expected 2021-22 collections. The over-collection will be refunded to industry through the 2022-23 levies (Table 4).

Table 4: Over-collected levies

Source of revenue	2021–22 Budget ($m)	2021–22 Forecast ($m)	2021–22 Difference ($m)	Difference to be recouped from industry				
				ADI	LI	GI	Super	PHI
APRA Levies	220.8	222.6	(1.8)	-	-	-	(1.8)	-
Non-APRA levies	41.2	41.2	-	-	-	-	-	-
Total	262.0	263.8	(1.8)	-	-	-	(1.8)	-

Australian Securities and Investments Commission component

Of the levies collected, $0.06 million is for the Australian Securities and Investments Commission's (ASIC) costs in relation to the operation of the Superannuation Complaints Tribunal (SCT) in 2022-23.

Although SCT operations ceased at the end of December 2020, total funding of $0.2 million has been approved for 2021-22 and 2022-23 to address SCT records management, requests for information (e.g. from other government agencies or bodies, freedom of information requests) and other post closure expenditures.

It is expected that no ASIC costs will be recovered through the FISLs from 2023-24.

Australian Taxation Office component

Funding from the levies collected from the superannuation industry includes a component to cover the Australian Taxation Office's (ATO's) regulatory costs in administering the Superannuation Lost Member Register (LMR) and Unclaimed Superannuation Money (USM) frameworks.

In 2022-23, $11.3 million will be recovered for the ATO to support its activities in relation to the LMR and USM, which include:

- the implementation of strategies to reunite individuals with lost and unclaimed superannuation money including promoting ATO Online services through myGov and targeted campaigns using demographic data and account balances;
- working collaboratively with funds to engage members being reunited with their super, including Super Match2, and providing funds with updated contact information about their lost members;
- processing of lodgements, statements and other associated account activities;
- processing of claims and payments, including the recovery of overpayments;
- reviewing and improving the integrity of data on the LMR and in the USM system; and
- reviewing and improving data matching techniques, which facilitates the display of lost and unclaimed accounts on the ATO On Line Individuals Portal.

The funding also supports the ongoing upkeep and enhancement of the ATO's administrative system for USM frameworks and the LMR, and for continued work to improve efficiency and automate processing where applicable.

In addition, from 1 July 2018, the ATO assumed the role of administering the early Compassionate Release of Super programme (CRS). The compassionate grounds enable the ATO to consider the early release of a person's preserved superannuation in specified circumstances.

In 2022-23, $29.2 million will be recovered for the ATO to administer this programme.

Australian Competition and Consumer Commission component

In the 2017-18 Budget, funding was provided to the Australian Competition and Consumer Commission (ACCC) to undertake regular inquiries into specific financial system competition issues. Additional funding was provided in the 2021-22 Mid-Year Economic and Fiscal Outlook for the ACCC to continue to undertake work on financial system competition issues through the performance of market inquiries, advocacy and engagement.

In 2022-23, the ACCC will continue to examine financial system competition issues through price inquiries, market studies and/or reviews. The ACCC will also continue to investigate and take appropriate enforcement action to address competition issues in the financial services sector, undertake stakeholder consultation and identify emerging competition concerns.

In 2022-23, $3.5 million will be recovered for the ACCC to administer the market inquiries/studies, advocacy and stakeholder consultation program of work in relation to the financial services sector. As this work is likely to concentrate on competition issues relating to ADIs, costs will be recovered from that industry.

Gateway Network Governance Body component

The Gateway Network Governance Body Ltd (GNGB) governs the Superannuation Transaction Network (STN), which is the gateway infrastructure that facilitates transmission of SuperStream data messages between employers, superannuation funds and the ATO. It promotes the efficiency and effectiveness of the STN, monitoring compliance with the Standards, managing new entrants to the network, and engaging with key stakeholders in government and industry.

In 2022-23, $0.7 million will be recovered with respect to the GNGB.

Summary of sectoral levies arrangements for 2022-23

Two methodologies are adopted by APRA to calculate supervisory levies.

The first levy methodology used to recoup APRA's costs is applied to the ADI, Superannuation, General Insurance (GI) and Life Insurance and friendly societies (LI) industries. It has two components:

- the restricted levy component, which has a cost-of-supervision based rationale, is structured as a percentage rate on assets and is subject to minimum and maximum amounts; and
- the unrestricted levy component, which has a systemic impact rationale, is structured as a percentage rate on assets and does not have minimum or maximum amounts for individual regulated institutions.

The levy allocation methodology is designed to fully recover the costs from each industry and minimise cross-subsidies across industries.

To reduce the volatility in levies charged to industry, when calculating the percentage of time spent split between the restricted component and the unrestricted component, APRA smooths the allocation of costs through the use of a moving four-year average, before allocation to the four industries.

After the amount to be recovered from the four industries in both the restricted and unrestricted components is known, and the population estimated, the required levy rates to recover these amounts are then calculated.

Currently, the restricted and unrestricted components account for 63 per cent and 37 per cent respectively of APRA's overall supervisory effort.

The second levy methodology used to recoup APRA's costs is applied to the PHI industry and is a fixed price levy, being the PHI supervisory levy. This levy adopts a cost-of-supervision based rationale and is structured as a fee per policy holder. There are no minimum or maximum amounts. As part of the transition of the regulation of PHIs to APRA on 1 July 2015, a four-year costing was agreed with the Department of Finance. For the first four years post-transition to APRA, this costing was used to identify the amount of the PHI levy to be collected each year. Since the end of this four-year period, APRA has been transitioning to a time-allocation methodology to allocate costs to the PHI industry, consistent with the methodology for other regulated industries. 2022-23 marks the first year the PHIs have fully transitioned to the time allocation methodology consistent with the other industries.

Table 5: APRA's supervisory effort by industry

Industry sector	*2019-20*	*2020-21*	*2021-22*	*2022-23*	*2022-23*
	Actual %	*Actual %*	*Forecast %*	*Estimate %*	**4-yr average %**
Restricted component - % of time					
ADIs	43	42	42	41	42
Life insurance/Friendly societies	10	10	9	10	10
General insurance	15	14	15	15	15
Superannuation	26	29	30	29	28
Private health insurance	6	5	4	5	5
Total	**100**	**100**	**100**	**100**	**100**
Unrestricted component – % of time					
ADIs	45	47	38	43	43
Life insurance/Friendly societies	9	8	10	9	9
General insurance	11	10	15	12	12
Superannuation	26	29	32	29	29
Private health insurance	9	6	5	7	7
Total	**100**	**100**	**100**	**100**	**100**

APRA's levies requirement

Table 6 illustrates APRA's 2022-23 funding for both levy components from each industry and compares this with the levies funding required from each industry for 2021-22.

Table 6: Estimated levies by industry for APRA's levy requirement

Industry	2021–22 Restricted component ($m)	2021–22 Unrestricted component ($m)	2021–22 Total ($m)	2022–23 Restricted component ($m)	2022–23 Unrestricted component ($m)	2022–23 Total ($m)
ADIs	60.5	39.7	100.2	56.6	34.8	91.4
Life insurance / Friendly societies	15.0	9.1	24.1	12.9	7.1	20.0
General insurers	21.8	6.9	28.7	20.4	9.8	30.2
Superannuation	37.5	20.3	57.8	38.1	23.2	61.3
Sub-total (excluding-PHIs)	134.7	76.1	210.9	128.0	75.0	203.0
Private health insurers	-	-	9.9	-	-	11.8
Total	-	-	220.8	-	-	214.8

Total sectoral levies arrangements for 2022-23

Table 7 itemises the total levies requirement by industry.

Table 7: Total levies required by industry

Industry	APRA ($m)	ATO ($m)	ASIC ($m)	GNGB ($m)	ACCC ($m)	Total 2022–23 ($m)	Total 2021–22 ($m)	Increase / (decrease) ($m)
Authorised deposit-taking institutions	91.4	-	-	-	3.5	95.0	103.7	(8.7)
Life insurance / Friendly societies	20.0	-	-	-	-	20.0	24.1	(4.1)
General insurers	30.2	-	-	-	-	30.2	28.7	1.5
Superannuation	61.3	40.5	0.1	0.7	-	102.5	95.5	7.1
Private health insurers	11.8	-	-	-	-	11.8	9.9	1.9
Total	214.8	40.5	0.1	0.7	3.5	259.6	262.0	(2.4)

Industry structure

Table 8 compares the number of institutions and their asset values at December 2020 and December 2021. The relevant asset values at the levy dates will be the basis for calculation of the levies for 2022-23. Consequently, the asset values used to estimate the levies payable in this paper will differ from those used to invoice the levies.

The levy base for the calculation of levies for superannuation excludes employer-sponsored receivable assets for Public Sector entities. These assets are included in the table below.

Table 8: Institutional asset base used for modelling levies[4]

Industry sector	December 2020		December 2021	
	Number[6]	Total assets ($b)	Number[6]	Total assets ($b)
ADIs[1]				
Banks	99	5,281	97	5,481
Building societies	1	14	1	14
Credit unions	39	45	35	47
Restricted ADIs	1	0	3	0
Other ADIs	8	7	8	8
Sub-total	148	5,346	144	5,550
Life insurers	28	130	27	132
Friendly societies	11	8	11	9
Sub-total	39	138	38	141
General insurers	93	144	93	155
Private Health Insurers	37	17	35	18
APRA-regulated superannuation institutions[2,3]				
Excluding small funds[4]	186	2,062	176	2,373
Small funds[5]	1,476	2	1,475	2
Sub-total	1,662	2,064	1,651	2,375
Total	1,979	7,709	1,961	8,240

1. The ADI classification does not include representative offices of foreign banks.
2. This data excludes superannuation institutions that APRA does not regulate, that is, exempt public sector superannuation schemes and ATO regulated self-managed superannuation funds.
3. For the purpose of levies modelling, pooled superannuation trust assets included in the sub-total for superannuation institutions. For APRA's statistical publications, pooled superannuation trust assets are not included in asset totals as these assets are already recorded in other superannuation categories.
4. Superannuation institutions excluding small funds consist of public offer funds, non-public offer funds, multi-member approved deposit funds, eligible rollover funds and pooled superannuation trusts. These assets include employer-sponsor receivable assets.
5. Small funds consist of Small APRA Funds (SAFs) and Single Member Approved Deposit Funds (SMADFs).
6. The 'number of entities' includes entities that are currently in the process of winding up or de-registration, but have not formally been wound-up or had their license revoked as at the date of this data being compiled.

4 This table contains the underlying asset data used for levies modelling. However, the data presented in this table may use different information to other tables made publicly available by APRA.

Summary of the impact on each individual industry

Authorised deposit-taking institutions

The ADI industry comprises large and small banks as well as building societies, credit unions, restricted ADIs and Purchased Payment Facilities (PPF). Total levies funding by ADIs of $95.0 million consists of $91.4 million for APRA's supervision of the ADI industry and $3.5 million to fund work undertaken by the ACCC (Table 7).

The total compares to $103.7 million in 2021-22. Levies funding from ADIs in 2022-23 represents 36.6 per cent of the total levies, a slight decrease from 39.6 per cent in 2021-22. The levy minimum has increased to $20,000 for 2022-23. The levy maximum has been unchanged for 2022-23.

In 2022-23, APRA's supervisory activities in the ADI industry will focus on ensuring resilient and prudently managed ADIs, promoting the stability of the Australian financial system and contributing to the community's ability to achieve good financial outcomes. Focused APRA attention will be applied to improving cyber-risk preparedness and responsiveness; transforming ADI governance, culture, remuneration and accountability; upgrading ADI continuity and contingency frameworks; monitoring ADI capital, ADI implementation of the revised capital framework and testing ADI capital resilience through an industry stress test; assessing credit quality, including residential mortgage lending standards; and responding to digital innovation in the financial system.

Life insurance/Friendly societies

Total levies funding of $20.0 million is to recover the costs of APRA's supervision of the life insurance industry (Table 7).

The total compares to $24.1 million in 2021-22. Levies funding from life insurers/friendly societies in 2022-23 represents 7.7 per cent of the total levies, compared to 9.2 per cent in 2020-21. The levy minimum has increased to $20,000 for 2022-23. The levy maximum has been unchanged at $1.15 million for 2022-23.

In 2022-23 APRA's supervisory activities in the Life Insurance and Friendly Society industry will focus on the prudential soundness of regulated entities, promoting the stability of the broader industry and contributing to good outcomes for policyholders. In particular, APRA will continue its work on building recovery planning capability, and an ongoing focus on product sustainability. This includes the underlying entity capabilities that support sustainable practices, namely clear business strategies, sound risk governance and data-driven decision making. APRA will also consider the broader application of lessons learned from individual disability income insurance to other products including group business.

General insurance

Total levies funding of $30.2 million is to be recovered for APRA's supervision of the general insurance industry (Table 7).

The total compares to $28.7 million in 2021-22. Levies funding from general insurers in 2021-22 represents 11.6 per cent of the total levies, compared to 11.0 per cent in 2021-22. The levy minimum has increased to $20,000 for 2022-23. The levy maximum has been unchanged at $1.45 million for 2022-23.

During 2022-23, APRA will progress its supervisory efforts for insurers to improve their insurance risk management practices in the wake of the business interruption issues during 2020-21. The intent is for insurers to address weaknesses to avoid a repeat of the problems that could emerge in other business lines, with a focus on cyber risk. APRA will continue its work on improving contingency capabilities across the industry, through the phased rollout of recovery and resolution planning. With the floods of early 2022 likely to exacerbate existing access and affordability challenges for consumers, APRA plans a more active approach, working together with key industry and government stakeholders, to help maintain insurance as an accessible commodity for the Australian community.

National Claims and Policies Database special levy

In addition to the levies for general insurers, a separate levy to cover the costs of operating the National Claims and Policies Database (NCPD) will continue in 2022-23. The NCPD contains policy and claims information relating to public/product liability (PL) and professional indemnity (PI) insurance from institutions within the general insurance industry. The total amount of the NCPD levy for 2022-23 is $1.1 million, compared to $1.0 million collected in 2021-22.

The NCPD levy is based on gross earned PL and PI premium. General insurers that no longer write policies in those two categories but still receive claims relating to previously written policies are classified as 'runoffs' and are subject to a flat rate for each category of insurance. Table 9 summarises the minimum and maximum levies and the rates to be used for 2022-23.

Table 9: Parameters for NCPD levy

	2021–22		2022–23	
	Professional indemnity	Public and product liability	Professional indemnity	Public and product liability
Minimum ($)	5,000	5,000	5,000	5,000
Maximum ($)	32,000	50,000	32,000	50,000
Rate (%)	0.0261	0.0326	0.0320	0.0280
Runoff amount ($)	2,500	2,500	2,500	2,500
Total levy ($m)	0.46	0.53	0.56	0.55

Following consultation in 2012-13, the prescribed NCPD levy for a general insurer that issues both PL and PI products is calculated as the sum of the PL and PI levy components.

Superannuation

Levies funding of $102.5 million consists of $61.3 million for APRA's supervision of the superannuation industry and $41.2 million for costs relating to ASIC, ATO and GNGB. This total compares to $95.5 million in 2021-22 (Table 7). The levy minimum has increased to $10,000 for 2022-23. The levy maximum has been unchanged for 2022-23.

Levies funding in 2022-23 represents 39.5 per cent of total levies, compared to 36.5 per cent in 2021-22, which is driven by the increase in the ATO's recoveries for administration of the CRS[5], and the increased time spent by APRA on the Superannuation industry due to increased supervisory and enforcement intensity, and implementation of the former Government's Your Future, Your Super measures.

In 2022-23, APRA's supervisory activities in the superannuation industry will continue to focus on ensuring superannuation trustees are working to improve outcomes for their members, through rectifying substandard industry practices and eradicating persistent underperformance.

APRA's activities will extend to thematic deep dives targeted at key factors driving member outcomes and areas of heightened risk, as well as further improving transparency on the performance of superannuation products. In driving enhanced transparency, APRA will continue to make public its assessment of superannuation product performance and outcomes across a range of relevant financial and non-financial measures. Where necessary, APRA will intervene – through timely supervisory or enforcement action – in order to hold trustees to account for resolving persistent underperformance in the funds, products and options that they offer to members.

APRA will continue to support implementation of the former Government's Your Future, Your Super measures through the running of the Annual Performance Test, as well as the implementation by superannuation trustees of the Retirement Income Covenant.

The levy amount for Small APRA Funds (SAFs) and Single Member Approved Deposit Funds (SMADFs) will be maintained at a flat rate of $590 per fund.

Private health insurance

The PHI levy rate, following the transition of PHIs to APRA regulation on 1 July 2015, was based on a Machinery of Government costing between 2015-16 to 2018-19, and has been transitioning to APRA's time allocation methodology since 2019-20. 2022-23 will be the first year the PHI industry is fully adopting the APRA time allocation methodology, bringing the PHI industry in line with all other supervised industries.

Total levies funding of $11.8 million is to recover APRA's costs for the supervision of the PHI industry. The total compares to $9.9 million in 2021-22 (with the full levy amount, prior to transitional adjustments, would have been $12.2 million). Levies funding from private health insurers in 2022-23 represents 4.5 per cent of the total levies, compared to 3.8 per cent in 2021-22.

In 2022-23, APRA's activities will focus on finalising major reforms to strengthen the capital framework for private health insurers and align it with the new accounting standard AASB17. APRA has been actively engaging on recovery planning with all private health insurers since 2019, and will now focus on strengthening financial contingency and resolution planning in 2022-23. APRA will also engage

[5] Refer to Table 1 on page 5.

with private health insurers on operational resilience, including in relation to key outsourcing arrangements and cyber related risks.

The rate for a single policy for 2022-23 is the amount in cents calculated using the formula below. The rates for single and other policies reflect APRA's expected expenditure on the private health insurance industry.

$$2022\text{-}23 = \frac{1{,}180{,}000{,}000}{\text{single coverage policies} + (2 \times \text{other coverage policies})}$$

The rate for other policies, including joint policies, for 2022–23 is the amount in cents worked out using the formula below:

$$2022\text{-}23 = 2 \times \frac{1{,}180{,}000{,}000}{\text{single coverage policies} + (2 \times \text{other coverage policies})}$$

In this rule:

- single coverage policies mean the aggregate number of single policies on issue from all private health insurers on the census day; and
- other coverage policies mean the aggregate number of all other policies, including joint policies, on issue from all private health insurers on the census day.

Non-operating holding companies

Authorised non-operating holding companies (NOHCs) will have their flat fee levy unchanged at $45,000 per institution in 2022-23.

Levies comparison between previous years and 2022-23

This section presents how the levy payable by a non-PHI institution will be determined in 2022-23. The prospective restricted rates, minimum, maximum, and unrestricted rates for each option are listed in Table 10 and compared to the actual parameters from 2021-22.

Recent APRA analysis indicated that the minimum restricted component of the levy for each sector was generally too low, and that the maximum for each sector was broadly in line with cost. Gradual increases in minimums for each sector began in 2015-16 to address this issue and continues for 2022-23.

Table 10: Levy parameters

Industry	Criteria	2021-22	2022-23	
		Actual	Forecast	Change (%)
ADIs - locally incorporated	Restricted:			
	Rate %	0.00341	0.00269	(21.1%)
	Minimum	17,500	20,000	14.3%
	Maximum	6,400,000	6,400,000	-
	Unrestricted rate (%)	0.000827	0.000680	(17.8%)
ADIs - PPF	Restricted:			
	Rate %	0.00341	0.00269	(21.1%)
	Minimum	17,500	20,000	14.3%
	Maximum	1,280,000	1,280,000	-
	Unrestricted rate (%)	0.000827	0.000680	(17.8%)
ADIs - foreign branches	Restricted:			
	Rate %	0.00068	0.00054	(21.1%)
	Minimum	17,500	20,000	14.3%
	Maximum	1,280,000	1,280,000	-
	Unrestricted rate (%)	0.000827	0.000680	(17.8%)
Life insurers / Friendly societies	Restricted:			
	Rate %	0.01804	0.01333	(26.1%)
	Minimum	17,500	20,000	14.3%
	Maximum	1,150,000	1,150,000	-
	Unrestricted rate (%)	0.007626	0.005196	(31.9%)
General insurers	Restricted:			
	Rate %	0.01900	0.01551	(18.4%)
	Minimum	17,500	20,000	14.3%
	Maximum	1,450,000	1,450,000	-
	Unrestricted rate (%)	0.004678	0.006084	30.1%
	Restricted:			
	Rate %	0.00390	0.00406	4.1%
Superannuation funds	Minimum	7,500	10,000	33.3%
	Maximum	800,000	800,000	-
	Unrestricted rate (%)	0.002925	0.002993	2.3%
	Restricted:			
Superannuation funds - Pooled Superannuation Trusts	Rate %	0.00195	0.00203	4.1%
	Minimum	7,500	10,000	33.3%
	Maximum	400,000	400,000	-
	Unrestricted rate (%)	0.000970	0.001018	4.9%

Tables 11 to 16 compare the cost of the levies payable in each industry for each relevant asset base between 2020-21 and 2021-22, and the proposed levies payable in 2022-23.

Table 11: Amounts levied on ADIs

Asset base	$50m ($'000)	$500m ($'000)	$5b ($'000)	$25b ($'000)	$100b ($'000)	$800b ($'000)
2020-21	15.3	18.2	176.3	881.4	3,525.5	10,075.4
2021-22	17.9	21.6	212.1	1,060.3	4,241.2	13,012.6
2022-23	20.3	23.4	168.5	842.5	3,369.9	11,837.3
Change (%) 2022-23 v 2021-22	13.5	8.2	(20.5)	(20.5)	(20.5)	(9.0)

Table 12: Amounts levied on foreign ADI branches

Asset base	$500m ($'000)	$5b ($'000)	$25b ($'000)	$50b ($'000)
2020-21	18.2	60.5	302.5	605.1
2021-22	21.6	75.5	377.4	754.7
2022-23	23.4	68.1	340.4	680.8
Change (%) 2022-23 v 2021-22	8.2	(9.8)	(9.8)	(9.8)

Table 13: Amounts levied on Life insurers/Friendly societies

Asset base	$50m ($'000)	$500m ($'000)	$5b ($'000)	$10b ($'000)	$20b ($'000)
2020-21	17.3	105.2	1,052.3	1,363.9	1,827.8
2021-22	21.3	128.3	1,283.2	1,912.6	2,675.1
2022-23	22.6	92.6	926.2	1,669.6	2,189.2
Change (%) 2022-23 v 2021-22	6.0	(27.8)	(27.8)	(12.7)	(18.2)

Table 14: Amounts levied on General insurers

Asset base	$15m ($'000)	$50m ($'000)	$250m ($'000)	$1b ($'000)	$5b ($'000)	$15b ($'000)
2020-21	15.7	17.4	60.4	241.6	1,208.1	2,009.0
2021-22	18.2	19.8	59.2	236.7	1,183.7	2,151.6
2022-23	20.9	23.0	54.0	215.9	1,079.5	2,362.6
Change (%) 2022-23 v 2021-22	14.9	16.1	(8.8)	(8.8)	(8.8)	9.8

Table 15: Amounts levied on Superannuation funds (excluding SAFs and PSTs)

Asset base	$5m ($'000)	$50m ($'000)	$250m ($'000)	$1b ($'000)	$20b ($'000)	$50b ($'000)	$100b ($'000)
2020-21	5.2	6.6	15.4	61.6	1,230.9	2,177.2	3,754.4
2021-22	7.6	9.0	17.1	68.2	1,364.9	2,262.7	3,725.4
2022-23	10.1	11.5	17.6	70.5	1,398.5	2,296.3	3,792.7
Change (%) 2022-23 v 2021-22	32.7	28.3	3.3	3.3	2.5	1.5	1.8

Table 16: Amounts levied on PSTs

Asset base	$10m ($'000)	$50m ($'000)	$500m ($'000)	$5b ($'000)	$10b ($'000)	$20b ($'000)	$50b ($'000)
2020-21	5.1	5.4	11.5	115.0	230.1	459.8	699.5
2021-22	7.6	8.0	14.3	142.8	285.7	571.3	853.5
2022-23	10.1	10.5	15.0	149.9	299.8	594.0	885.0
Change (%) 2022-23 v 2021-22	33.0	31.8	5.0	5.0	5.0	4.0	3.7