Australian Government
The Treasury

Proposed Financial Institutions Supervisory Levies for 2023-24

Discussion paper

May 2023

treasury.gov.au

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Request for feedback and comments

Closing date for submissions: 09 June 2023

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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 2023–24 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 2023-24, to be funded through commensurate levies revenue to be collected in 2023–24.

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 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 2023, 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 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;*
- *General Insurance Supervisory Levy Imposition Act 1998;*
- *Life Insurance Supervisory Levy Imposition Act 1998;*
- *Private Health Insurance Supervisory Levy Imposition Act 2015;*
- *Superannuation Supervisory Levy Imposition Act 1998;* and
- *Retirement Savings Account Providers Supervisory Levy Imposition Act 1998.*

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 comprise costs incurred by the Australian Securities and Investments Commission (ASIC), the Australian Taxation Office (ATO), the Australian Competition and Consumer Commission (ACCC),the Gateway Network Governance Body and Treasury.

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 and outcomes by employing a supervision-led approach to identifying risks and vulnerabilities within the financial system and responding to ensure those risks and vulnerabilities are mitigated. APRA seeks to be forward-looking, risk-based, and outcomes-focused – addressing potential problems before they adversely impact those APRA is tasked to protect, assisting 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 unnecessarily hindering efficiency, competition or otherwise impeding the competitive neutrality or contestability of the financial system. APRA's aim is to focus on preventative aspects to identify likely failure of an APRA-regulated institution early enough so that corrective action can be promptly initiated, or an orderly exit achieved to safeguard Australia's financial system.

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 2022-2023 Corporate Plan is based around the themes of: 'protecting the community today' as well as ensuring the Australian financial system is 'prepared for tomorrow'. These themes are designed to drive organisational focus on delivering APRA's purpose and key outcomes for the Australian community 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. APRA's strategic priorities and activities will be reviewed as part of setting APRA's 2023-2024 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 Framework, and ongoing specialised supervision of accredited ADIs;
- 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/sites/default/files/2022-08/APRA%20Corporate%20Plan%202022-23.pdf

Summary of levies funding requirements for 2023-24

The total funding required under the levies in 2023-24 for all relevant Commonwealth agencies is $263.6 million. This is a $4 million (1.5 per cent) increase from the 2022-23 requirement. The slight increase is attributable to a 3.4 per cent increase in APRA's levies requirements (see next section for details), a $1.0 million prior year under-collection for agencies other than APRA, and $1.0 million in levies funding for the Treasury to support the Government's objective to promote improved member outcomes through funding a superannuation consumer advocate. These are partially offset by a decrease in the Australian Taxation Office (ATO) component[3].

The components of the levies are outlined in Table 1.

Table 1: Total levies funding required

	2022-23 Budget ($m)	2023-24 Budget ($m)	Change ($m)	Change (%)
APRA	214.8	222.0	7.2	3.4
ASIC	0.1	-	(0.1)	(100.0)
ATO	40.5	38.9	(1.6)	(3.8)
ACCC	3.5	-	(3.5)	(100.0)
Gateway Network Governance Body	0.7	0.7	0.0	1.4
Treasury superannuation consumer advocate	-	1.0	1.0	-
Prior year under-collection for agencies, other than APRA	-	1.0	1.0	-
Total	**259.6**	**263.6**	**4.0**	**1.5**

APRA's 2023-24 levy funding requirements

APRA's net funding requirements under the levies for 2023-24 are shown in Table 2 below.

The budgeted total cost for APRA for 2023-24 is $239.1 million, a $11.2 million (4.9 per cent) increase relative to the 2022-23 Budget. The higher amount is largely due to movement of funds between financial years as well as changes in the government indexation framework which has been updated to better align with wage and price movements. Other components of the funding requirements include:

- A further $1.0 million to provide for future enforcement costs;
- Removal of $16.0 million of non-levy income (refer to Table 3);
- Recoup of $5.3 million of prior year under-collected levies from industry;
- Unspent 2022-23 expenses of $4.0 million deferred into 2023-24; 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 2023-24 is $222.0 million, an increase of $7.2 million (3.4 per cent) relative to the funding requirement for 2022-23.

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

Table 2: APRA — Levies funding required

	2022-23	2023-24		
	Budget ($m)	Budget ($m)	Change ($m)	Change (%)
APRA – operating expenses	227.8	239.1	11.2	4.9
APRA – contingency enforcement fund	1.0	1.0	-	0.0
Non-Levy income (Table 3)	(8.9)	(16.0)	(7.1)	79.5
Prior year under / (over) collected revenue (recouped / refunded) from industry (Table 4)	(1.8)	5.3	7.1	(399.4)
Unspent 2022-23 expenses deferred into 2023-24	-	(4.0)	(4.0)	0.0
Removal of impact of AASB16 – Leases	(3.4)	(3.4)	0.0	(1.2)
Net funding met through industry levies	**214.8**	**222.0**	**7.2**	**3.4**

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

	2022–23	2023–24		
Non-Levy income	Budget ($m)	Budget ($m)	Change ($m)	Change (%)
Appropriations - National Claims and Policies Database	(1.1)	(1.1)	(0.0)	1.5
- Other	(3.0)	(9.4)	(6.4)	211.3
Provision of goods and services	(4.8)	(5.5)	(0.7)	14.6
Total	**(8.9)**	**(16.0)**	**(7.1)**	**79.5**

The movement in 'Other' relates to a government revision of the Wage Cost Index indexation framework.

Adjustment for under-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 under-collection of levies of $6.3 million based on expected 2022-23 collections. The under-collection will be recouped from industry through the 2023-24 levies (Table 4).

Table 4: Under-collected levies

Source of revenue	2022–23 Budget ($m)	2022–23 Forecast ($m)	2022–23 Difference ($m)	Difference to be recouped from industry				
				ADI	LI	GI	Super	PHI
APRA Levies	214.8	209.5	5.3	0.5	-	(0.2)	5.0	-
Non-APRA levies	44.8	43.8	1.0	0.1	-	-	0.9	-
Total	259.6	253.3	6.3	0.6	-	(0.2)	5.9	-

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 2023-24, $17.2 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, 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;
- reviewing and improving data matching techniques, which facilitates the display of lost and unclaimed accounts on the ATO On-Line Individuals Portal; and
- undertake work to identify and mitigate risk and fraud.

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. The compassionate grounds enable the ATO to consider the early release of a person's preserved superannuation in specified circumstances.

In 2023-24, $21.7 million will be recovered for the ATO to administer this programme.

Gateway Network Governance Body component

The Gateway Network Governance Body Ltd (GNGB) governs the Superannuation Transaction Network (STN), 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 2023-24, $0.7 million will be recovered with respect to the GNGB.

Treasury Component

Treasury will administer a grant to fund a superannuation consumer advocate, which will be chosen through a competitive grant process. The advocate will undertake research and analysis, engage with government, regulators and industry on policy issues affecting superannuation members, and represent the interests of superannuation members in public discourse.

In 2023-24, $1.0 million will be recovered to fund the grant.

Summary of sectoral levies arrangements for 2023-24

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 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 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 approximately 59 per cent and 41 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 was the first year the PHIs fully transitioned to the time allocation methodology consistent with the other industries.

Table 5: APRA's supervisory effort by industry

Industry sector	*2020-21*	*2021-22*	*2022-23*	*2023-24*	*2023-24*
	Actual %	*Actual %*	*Forecast %*	*Estimate %*	**4-yr average %**
Restricted component - % of time					
ADIs	42	35	45	46	42
Life insurance/Friendly societies	10	11	10	9	10
General insurance	14	17	13	13	14
Superannuation	29	32	27	27	29
Private health insurance	5	5	5	5	5
Total	**100**	**100**	**100**	**100**	**100**

Unrestricted component – % of time					
ADIs	47	36	47	46	44
Life insurance/Friendly societies	8	11	10	9	10
General insurance	10	16	13	12	13
Superannuation	29	33	25	28	29
Private health insurance	6	4	5	5	5
Total	**100**	**100**	**100**	**100**	**100**

APRA's levies requirement

Table 6 illustrates APRA's 2023-24 funding for both levy components from each industry and compares this with the levies funding required from each industry for 2022-23.

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

Industry	2022–23 Restricted component ($m)	2022–23 Unrestricted component ($m)	2022–23 Total ($m)	2023–24 Restricted component ($m)	2023–24 Unrestricted component ($m)	2023–24 Total ($m)
ADIs	56.6	34.8	91.4	53.0	38.6	91.6
Life insurance / Friendly societies	12.9	7.1	20.0	12.3	8.1	20.4
General insurers	20.4	9.8	30.2	18.2	11.3	29.5
Superannuation	38.1	23.2	61.3	41.4	28.7	70.1
Sub-total (excluding-PHIs)	128.0	75.0	203.0	124.9	86.7	211.6
Private health insurers	-	-	11.8	-	-	10.4
Total	-	-	214.8	-	-	222.0

Total sectoral levies arrangements for 2023-24

Table 7 itemises the total levies requirement by industry.

Table 7: Total levies required by industry

Industry	APRA ($m)	ATO ($m)	GNGB ($m)	Treasury ($m)	Prior year Non-APRA under-collection ($m)	Total 2023–24 ($m)	Total 2022–23 ($m)	Increase / (decrease) ($m)
Authorised deposit-taking institutions	91.6	-	-	-	0.1	91.7	95.0	(3.3)
Life insurance / Friendly societies	20.4	-	-	-	-	20.4	20.0	0.4
General insurers	29.5	-	-	-	-	29.5	30.3	(0.8)
Superannuation	70.1	38.9	0.7	1.0	0.9	111.6	102.5	9.1
Private health insurers	10.4	-		-	-	10.4	11.8	(1.4)
Total	222.0	38.9	0.7	1.0	1.0	263.6	259.6	4.0

Industry structure

Table 8 compares the number of institutions and their asset values at December 2021 and December 2022. The relevant asset values at the levy dates will be the basis for calculation of the levies for 2023-24. 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 2021		December 2022	
	Number[6,7]	Total assets ($b)[8]	Number[6]	Total assets ($b)[8]
ADIs[1,2]				
Banks	97	5,481	95	6,105
Credit unions and building societies	36	61	35	63
Restricted ADIs	3	0	4	0
Other ADIs	8	8	8	10
Sub-total	144	5,550	142	6,177
Life insurers	27	132	24	123
Friendly societies	11	9	11	9
Sub-total	38	141	35	132
General insurers	93	155	89	163
Private health insurers	35	18	32	19
APRA-regulated superannuation institutions[2,3]				
Excluding small funds[4]	152	2,367	143	2,298
Small funds[5]	1,379	2	1,384	2
Sub-total	1,531	2,369	1,527	2,300
Total	1,841	8,233	1,825	8,792

1. Number of representative offices of foreign banks have not been included in the ADI classification or total number of regulated entities, as APRA does not regulate them.
2. The asset figure for ADIs have been sourced from the Economic and Financial Statistics (EFS) data collection which reports on a domestic book's basis.
3. This data excludes superannuation institutions that APRA does not regulate, that is, exempt public sector superannuation schemes and ATO regulated self-managed superannuation funds.
4. Superannuation institutions excluding small funds may 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 had commenced the process of deregistration or wind-up but remained regulated entities as of 31 December 2022. These figures may be revised when it is next reported to reflect wind-up of entities finalised.

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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.

7. Number of entities for end-December 2021 have been revised to reflect wind-up and deregistration of entities finalised during the 2022 calendar year.
8. Asset figures for end-December 2022 are based on the most recently submitted returns. Asset figures for end-December 2021 have been revised slightly from prior year's report in line with audited returns and resubmissions received during the year.

Summary of the impact on each individual industry

In this section we outline the levy impact on each industry and APRA's areas of focus in 2023-24. As a result of the heightened risk environment the supervised entities operate in, a common focus for APRA across all industries in 2023-24 will be assessing their operational resilience in responding to cyber security events.

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 $91.7 million consists of $91.6 million for APRA's supervision of the ADI industry and $0.1 million of prior year Non-APRA under-collections (Table 7).

The total compares to $95.0 million in 2022-23, which consists of $91.5 million for APRA's supervision of the ADI industry and $3.5 million for ACCC. Levies funding from ADIs in 2023-24 represents 34.8 per cent of the total levies, a slight decrease from 36.6 per cent in 2022-23. The levy minimum has increased to $22,500 for 2023-24. The levy maximum has been unchanged at $6,400,000 for 2023-24.

In 2023-24, APRA's supervisory activities in the ADI industry will focus on preserving trust in banks' financial and operational resilience and embedding capital reforms for banks, to ensure Australia's financial system remains safe and stable alongside the fundamentals of credit quality and liquidity. Focused APRA attention will be applied to: embedding the new capital framework; problem loan management; liquidity risk and the refinancing of the Term Funding Facility (TFF); assessing entity progress with governance, culture, remuneration and accountability (GCRA) remediation plans; resolution planning; developing enhanced crisis response plans for cyber risk to the payments system; and responding to innovations in financial products and services.

Life insurance/Friendly societies

Total levies funding of $20.4 million is to recover the costs of APRA's supervision of the life insurance industry (Table 7).

The total compares to $20.0 million in 2022-23. Levies funding from life insurers/friendly societies in 2023-24 represents 7.8 per cent of the total levies, which is consistent with the previous year. The levy minimum has increased to $22,500 for 2023-24. The levy maximum has been unchanged at $1,150,000 for 2023-24.

In 2023-24, APRA's supervisory activities in the life insurance and friendly society industry will remain focused on the establishment of a sound basis for long term product sustainability, ensuring good prudential outcomes for life insurers, and good long-term consumer outcomes. APRA remains committed to its program of work to support the long-term sustainability of individual disability income insurance (IDII) and plans to review the progress of several individual life insurers in meeting APRA's product sustainability expectations. In relation to insurance in superannuation, APRA will use the outcomes from a survey of direct insurers and reinsurers to undertake targeted engagements with selected entities. APRA will continue to deliver work to support data-driven decision making, the introduction of Accounting Standard AASB17, resilience against information security and implementation against prudential standards for operational risk, remuneration, and recovery and exit planning.

General insurance

Total levies funding of $29.5 million is to be recovered for APRA's supervision of the general insurance industry (Table 7).

The total compares to $30.2 million in 2022-23. Levies funding from general insurers in 2023-24 represents 11.2 per cent of the total levies, compared to 11.7 per cent in 2022-23. The levy minimum has increased to $22,500 for 2023-24. The levy maximum has been unchanged at $1,450,000 for 2023-24.

In 2023-24, APRA's activities in the general insurance industry will aim to build resilience in the industry through improved risk management requirements across the sector, particularly as it faces challenges posed by natural disasters, rising reinsurance costs, heightened cyber operational risks, and an adverse economic environment. APRA will continue to focus on strengthening insurance risk management capabilities across the industry and supervise the progress and completion of remediation plans for insurers who participated in APRA's insurance risk management thematic review. APRA intends to conduct a climate exercise focusing on affordability and availability issues in general insurance and is engaging with industry over its planning and design. APRA will continue its focus on activities such as intelligence gathering and enhancing data-driven decision making, as well as working closely with government and industry stakeholders to find solutions to affordability and availability challenges affecting the Australian community.

National Claims and Policies Database special levy

In addition to the levy for general insurers, a separate levy to cover the costs of operating the National Claims and Policies Database (NCPD) will continue in 2023-24. 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 2023-24 is $1.1 million, compared to $1.1 million collected in 2022-23.

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 2023-24.

Table 9: Parameters for NCPD levy

	2022–23		2023–24	
	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 (%)	0.0320	0.0280	0.0308	0.0262
Runoff amount ($)	2,500	2,500	2,500	2,500
Total levy ($m)	0.56	0.55	0.56	0.56

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 $111.6 million consists of $70.1 million for APRA's supervision of the superannuation industry; $40.6 million for costs relating to ATO, GNGB and the Treasury; and a $0.9 million prior year Non-APRA under-collection. This total compares to $102.5 million in 2022-23 (Table 7). The levy minimum has increased to $12,500 for 2023-24. The levy maximum has been unchanged at $800,000 for 2023-24.

Levies funding in 2023-24 represents 42.3 per cent of total levies, compared to 39.5 per cent in 2022-23, which is driven by the recovery of prior year under-collected APRA levies, 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 2023-24, APRA's supervisory activities in the superannuation industry will continue to focus on holding trustees to account to improve the member outcomes they are delivering, and to actively address deficiencies in their practices ensuring all Australians are well served by the superannuation system. APRA's activities will focus on rectifying substandard industry practices such as board capabilities, tenure, management of conflicts of interest and strength of internal control systems. APRA will also focus on eradicating unacceptable product performance by continuing to make public the results of the annual performance test and MySuper and Choice Heatmaps. APRA will also review how trustees have implemented the retirement income covenant within their business strategies and operations, for the benefit of members, and ensure trustees take steps to address deficiencies where they are identified.

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

Total levies funding of $10.4 million is to recover APRA's costs for the supervision of the PHI industry. The total compares to $11.8 million in 2022-23 (Table 7). Levies funding from private health insurers in 2023-24 represents 3.9 per cent of the total levies, compared to 4.5 per cent in 2022-23.

In 2023-24, APRA's supervision activities include enhancing preparedness for the new PHI capital framework and operational resilience around continuity planning for outsourced arrangements. Building recovery planning capabilities will continue to be an area of focus for APRA to support ongoing industry stability. APRA will also assess insurer strategies to respond to challenges of affordability and increasing claim costs, as well as providing insights and advice to Government on longer-term solutions.

The rate for a single policy for 2023-24 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.

$$2023\text{-}24 = \frac{1{,}040{,}000{,}000}{\text{single coverage policies} + (2 \text{ X other coverage policies})}$$

The rate for other policies, including joint policies, for 2023–24 is the amount in cents worked out using the formula below:

$$2023\text{-}24 = 2 \text{ x } \frac{1{,}040{,}000{,}000}{\text{single coverage policies} + (2 \text{ X other coverage policies})}$$

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 2023-24.

Levies comparison between previous years and 2023-24

This section presents how the levy payable by a non-PHI institution will be determined in 2023-24. The prospective restricted rates, minimum, maximum, and unrestricted rates for each option are listed in Table 10 and compared to the actual parameters from 2022-23.

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 the cost of supervision. Gradual increases in minimums for each sector began in 2015-16 to address this issue and continues for 2023-24.

Table 10: Levy parameters

Industry	Criteria	2022-23	2023-24	
		Actual	Forecast	Change (%)
ADIs - locally incorporated	Restricted:			
	Rate %	0.00263	0.00215	(18.3%)
	Minimum	20,000	22,500	12.5%
	Maximum	6,400,000	6,400,000	-
	Unrestricted rate (%)	0.000665	0.000614	(7.7%)
ADIs - PPF	Restricted:			
	Rate %	0.00263	0.00215	(18.3%)
	Minimum	20,000	22,500	12.5%
	Maximum	1,280,000	1,280,000	-
	Unrestricted rate (%)	0.000665	0.000614	(7.7%)
ADIs - foreign branches	Restricted:			
	Rate %	0.00053	0.00043	(18.3%)
	Minimum	20,000	22,500	12.5%
	Maximum	1,280,000	1,280,000	-
	Unrestricted rate (%)	0.000665	0.000614	(7.7%)
Life insurers / Friendly societies	Restricted:			
	Rate %	0.01495	0.01422	(4.9%)
	Minimum	20,000	22,500	12.5%
	Maximum	1,150,000	1,150,000	-
	Unrestricted rate (%)	0.005569	0.006583	18.2%
General insurers	Restricted:			
	Rate %	0.01551	0.01221	(21.3%)
	Minimum	20,000	22,500	12.5%
	Maximum	1,450,000	1,450,000	-
	Unrestricted rate (%)	0.006048	0.006660	10.1%
Superannuation funds	Restricted:			
	Rate %	0.00459	0.00782	70.4%
	Minimum	10,000	12,500	25.0%
	Maximum	800,000	800,000	-
	Unrestricted rate (%)	0.002989	0.003144	5.2%
Superannuation funds - Pooled Superannuation Trusts	Restricted:			
	Rate %	0.00229	0.00391	71.1%
	Minimum	10,000	12,500	25.0%
	Maximum	400,000	400,000	-
	Unrestricted rate (%)	0.001019	0.001212	18.9%

Tables 11 to 16 compare the cost of the levies payable in each industry for relevant asset bases between 2021-22 and 2022-23, and the proposed levies payable in 2023-24.

Table 11: Amounts levied on ADIs

Asset base	$50m ($'000)	$500m ($'000)	$5b ($'000)	$25b ($'000)	$100b ($'000)	$800b ($'000)
2021-22	17.9	21.6	212.1	1,060.3	4,241.2	13,012.6
2022-23	20.3	23.3	164.9	824.4	3,297.5	11,716.5
2023-24	22.8	25.6	138.2	691.2	2,764.8	11,308.5
Change (%) 2023-24 v 2022-23	12.2	9.6	(16.2)	(16.2)	(16.2)	(3.5)

Table 12: Amounts levied on foreign ADI branches

Asset base	$500m ($'000)	$5b ($'000)	$25b ($'000)	$50b ($'000)
2021-22	21.6	75.5	377.4	754.7
2022-23	23.3	59.6	297.8	595.6
2023-24	25.6	53.2	261.0	521.9
Change (%) 2023-24 v 2022-23	9.6	(10.7)	(12.4)	(12.4)

Table 13: Amounts levied on Life insurers/Friendly societies

Asset base	$50m ($'000)	$500m ($'000)	$5b ($'000)	$10b ($'000)	$20b ($'000)
2021-22	21.3	128.3	1,283.2	1,912.6	2,675.1
2022-23	22.8	102.6	1,026.2	1,706.9	2,263.9
2023-24	25.8	104.0	1,040.3	1,808.3	2,466.7
Change (%) 2023-24 v 2022-23	13.2	1.4	1.4	5.9	9.0

Table 14: Amounts levied on General insurers

Asset base	$15m ($'000)	$50m ($'000)	$250m ($'000)	$1b ($'000)	$5b ($'000)	$15b ($'000)
2021-22	18.2	19.8	59.2	236.7	1,183.7	2,151.6
2022-23	20.9	23.0	53.9	215.6	1,078.0	2,357.1
2023-24	23.5	25.8	47.2	188.7	943.7	2,449.0
Change (%) 2023-24 v 2022-23	12.4	12.2	(12.5)	(12.5)	(12.5)	3.9

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)
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	18.9	75.8	1,397.8	2,294.6	3,789.2
2023-24	12.7	14.1	27.4	109.7	1,428.8	2,372.1	3,944.1
Change (%) 2023-24 v 2022-23	24.7	22.4	44.7	44.7	2.2	3.4	4.1

Table 16: Amounts levied on PSTs

Asset base	$10m ($'000)	$50m ($'000)	$500m ($'000)	$5b ($'000)	$10b ($'000)	$20b ($'000)	$50b ($'000)
2021-22	7.6	8.0	14.6	146.0	292.0	584.0	885.2
2022-23	10.1	10.5	16.6	165.7	331.3	603.7	909.3
2023-24	12.6	13.1	25.6	256.2	512.5	642.5	1,006.1
Change (%) 2023-24 v 2022-23	24.9	24.7	54.7	54.7	54.7	6.4	10.7