

Ms Gillie Kirk
Manager, Domestic Prudential Unit
Financial System Division
The Treasury
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11 June 2010

Dear Ms Kirk

PROPOSED FINANCIAL SECTOR LEVIES FOR 2010–2011

The Insurance Council of Australia Limited¹ (Insurance Council) appreciates the opportunity to comment on the proposed financial sector levies for the next financial year as set out in the Consultation Paper released by Treasury on 27 May 2010.

The Insurance Council acknowledges the importance of the robust Australian regulatory regime for financial services and its effective administration by Australian regulatory authorities. We therefore reaffirm the support of Insurance Council members for the adequate resourcing of Australia's financial services regulators.

We note that, in the main, the levy calculations for 2010-11 continue to use the framework introduced in 2005-06. Several adjustments are being made that the Insurance Council supported in its submission of 16 March 2010 as part of Treasury's consultation on the Financial Sector Legislation Amendment (Prudential Refinements and Other Measures) Bill 2010. Consequently, the Insurance Council makes no comment on the methodology used to determine the levy amounts.

In our previous submissions on the financial sector levies (most recently, that of 19 June 2009), the Insurance Council explained members' concern at the lack of transparency in the breakdown of costs between regulated sectors. The Insurance Council has argued that more comprehensive information is necessary to better explain the broad funding lines set out in the tables in the Consultation Paper.

It is notable that, while this year's Consultation Paper gives an explanation in some detail on the activities APRA will be undertaking in 2010-11 in relation to the general insurance industry (see page 2), information on the general insurance activities proposed by ASIC is very generic (see page 5). The Insurance Council requests that further progress in increasing transparency be made in future years in relation to the activities both by APRA and ASIC that the financial sector levies from general insurers are intended to fund.

¹ . The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent more than 90 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. December 2009 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross premium revenue of \$32.9 billion per annum and has total assets of \$94.2 billion. The industry employs approx 60,000 people and on average pays out about \$95 million in claims each working day.

Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

Please contact Mr John Anning, Insurance Council's General Manager Policy, Regulation Directorate at janning@insurancecouncil.com.au or (02) 9253 5121 if you require any further information or wish to discuss the matters raised in this submission.

Yours sincerely



Robert Whelan
Executive Director & CEO