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General Insurance Supervisory Levy Imposition Amendment Bill 2006

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Contents

General Insurance Supervisory Levy Imposition Amendment Bill 2006

Date introduced: 2 March 2006

House: House of Representatives

Portfolio: Treasury

Commencement: On Royal Assent

Purpose

The purpose of the Bill is to amend the *General Insurance Supervisory Levy Imposition Act 1998* to provide for a special levy to be charged to insurance companies in addition to the existing levy payable under that Act.

Background

The *Financial Institutions Supervisory Levies Collection Act 1998* and *General Insurance Supervisory Levy Imposition Act 1998* together provide for a scheme whereby general insurance companies are liable to pay a levy to the Australian Prudential Regulation Authority (APRA). The purpose of the levy is to reimburse the Commonwealth for the cost of providing the regulatory framework for the insurance industry.

In the course of its functions, APRA has established a data base – the National Claims and Policies Database (NCPD) - for specific information on public liability and professional indemnity insurance.[1] The information on the NCPD is gathered directly from insurers. The purpose of the NCPD is to 'enable insurers, the community and government to better understand these classes of insurance'.[2] The NCPD is specifically mentioned in the Assistant Treasurer's second reading speech, and the recovery of the costs of operating the NCPD seems to have been the motivation for the amendments proposed in the Bill. The Bill does not, however, specifically refer to the NCPD. Rather, the amendments simply enable a special levy component to be imposed on insurers of a particular class. In the future, the provisions may be used to recover costs of running other schemes that form part of APRA's regulatory functions.

Basis of policy commitment

The policy behind the Bill is captured in a statement by the Assistant Treasurer in his second reading speech:

> In line with the government's cost recovery principles, only those insurers who contribute to, and can thereby benefit from, the database should contribute towards its cost. Insurers who do not use the database should not be expected to fund it through the general supervisory levy.[3]

ALP position

According to Joel Fitzgibbon MP the Bill 'is non-controversial and enjoys the support of the opposition'.[4]

Main provisions

Schedule 1 – Amendments to the General Insurance Supervisory Levy Imposition Act 1998

Item 1 inserts into section 6 a definition of '**special statutory upper limit**', which will be the maximum amount that the Treasurer can set as the special maximum levy amount under the Act. For the financial year commencing 1 July 2006, the amount will be $500,000, thereafter to be indexed.

Item 5 inserts new **subsection 8(2A)** which provides a scheme for the calculation of the 'special component' of the levy. In effect, the amount will be determined by the Treasurer by legislative instrument, subject to the limits imposed under the Act.

Item 8 inserts new **subsection 8(4A)** which specifies that the maximum amount determined by the Treasurer must not exceed the special statutory upper limit.

Item 10 provides for the amendments to apply to the financial year commencing 1 July 2006 and later years.

Conclusion

The Bill appears to be uncontroversial. Its provisions are sufficient to fulfil its objective of amending the *General Insurance Supervisory Levy Imposition Act 1998* to enable the Treasurer to impose a special levy on insurers of a particular class.

Endnotes

1. The NCPD website can be viewed at: http://www.ncpd.apra.gov.au/Home/Home.aspx
2. ibid.
3. Peter Dutton, Minister for Revenue and Assistant Treasurer, 'Second reading speech: General Insurance Supervisory Levy Imposition Amendment Bill 2006', House of Representatives, *Debates*, 2 March 2006, p. 2.
4. Joel Fitzgibbon, 'Second reading speech: General Insurance Supervisory Levy Imposition Amendment Bill 2006', House of Representatives, *Debates*, 30 March 2006, p. 78.