

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA
HOUSE OF REPRESENTATIVES

GENERAL INSURANCE SUPERVISORY LEVY AMENDMENT BILL 1996

EXPLANATORY MEMORANDUM

(Circulated by authority of the Assistant Treasurer, Senator the Hon Rod Kemp)



GENERAL INSURANCE SUPERVISORY LEVY AMENDMENT BILL 1996

GENERAL OUTLINE

These amendments to the *General Insurance Supervisory Levy Act 1989* will increase the statutory upper limit of the annual supervisory levy imposed on Australia's 166 general insurers.

The levy is designed to recover costs incurred in the prudential supervision of the general insurance industry. The levy is applied uniformly except for seven small insurers (small co-operatives writing specific cover for their members) who pay a significantly reduced levy (currently \$2,500) in recognition of the lower costs involved in their supervision.

The actual levy (as distinct from the statutory upper limit set under the *General Insurance Supervisory Levy Act 1989*) will not be increased by this amendment. The actual levy is set by regulation, taking into account the costs incurred in prudential supervision by the Insurance and Superannuation Commission. The statutory limit provided for in these amendments will be indexed with the Consumer Price Index.

The determination of the actual levy in the past has not reflected full cost recovery. The increase in the statutory upper limit of the levy will enable the Insurance and Superannuation Commission to more fully recover costs incurred in the supervision and prudential regulation of the general insurance industry.

Changes in the actual levy are effected by regulation and can be disallowed by the Parliament.

FINANCIAL IMPACT STATEMENT

The increase in the statutory upper limit of the General Insurance Supervisory Levy has no financial impact on the Commonwealth.

NOTES ON CLAUSES**Clause 1 Short title**

1. This clause provides for the Act to be cited as the *General Insurance Supervisory Levy Amendment Act 1996*.

Clause 2 Commencement

2. This clause provides that the Act shall come into operation on the day it receives Royal Assent.

Clause 3 Schedule(s)

3. This clause provides that the Act specified in Schedule 1 is amended as provided for in that Schedule.

SCHEDULE 1**AMENDMENT OF THE GENERAL INSURANCE SUPERVISORY LEVY ACT
1989****Item 1 - Section 6 (paragraph (d) of the definition of *statutory upper limit*)**

1. This amendment to the definition of *statutory upper limit* sets an upper limit on the general insurance supervisory levy of \$35 000 in relation to the financial year commencing on 1 July 1997. It also provides for indexation of the upper limit for subsequent financial years, by an indexation factor based on the Consumer Price Index, so that the dollar level specified as the upper limit keeps pace with inflation.