

1989

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA
HOUSE OF REPRESENTATIVES

LIFE INSURANCE SUPERVISORY LEVY BILL 1989
EXPLANATORY MEMORANDUM

(Circulated by authority of the Treasurer,
the Hon P.J. Keating, MP)

LIFE INSURANCE SUPERVISORY LEVY BILL 1989

GENERAL OUTLINE AND MAIN PURPOSES OF THE BILL

The Bill contains provisions for the imposition of an annual supervisory levy on life insurers to recover the costs of their supervision under the Life Insurance Act 1945 by the Insurance and Superannuation Commission.

The Bill will:

- provide for an initial annual rate of levy of \$19,000;
- establish a statutory upper limit for the levy which the annual rate shall not exceed;
- provide for annual indexation of the statutory upper limit with effect from 1 July 1990; and
- give scope for variation of the annual rate of levy within the statutory upper limit by regulation, but with effect no earlier than 1 July 1990.

FINANCIAL IMPACT STATEMENT

The purpose of the proposed annual levy is to recover the costs of supervising life insurers under the Life Insurance Act 1945. As announced in the 1988-89 Budget, the proposed annual levy will be \$19,000 for life insurers, producing savings of \$1.0m in a full year.

EXPLANATORY NOTES ON LIFE INSURANCE SUPERVISORY LEVY BILL 1989

CLAUSE 1 SHORT TITLE

This clause provides the mode of citation of the Bill.

CLAUSE 2 COMMENCEMENT

This clause provides for the Bill to come into operation on the commencement of the Insurance Supervisory Levies Collection Bill 1989.

CLAUSE 3 ACTS TO BE READ AS ONE

This clause provides for the Insurance Supervisory Levies Collection Bill 1989 is to be read as one with this Bill.

CLAUSE 4 ACT TO BIND CROWN

This clause provides for binding of the Crown in right of the Commonwealth, each of the States, the Australian Capital Territory, the Northern Territory and Norfolk Island.

CLAUSE 5 EXTENSION TO EXTERNAL TERRITORIES

This clause extends the Bill to those external territories to which the Life Insurance Act 1945 extends.

CLAUSE 6 INTERPRETATION

This clause sets out definitions of a number of words and expressions for the purposes of the Bill.

CLAUSE 7 IMPOSITION OF LIFE INSURANCE LEVY

This clause imposes a levy on companies that are required to lodge accounts under the Life Insurance Act 1945 in accordance with the provisions of subclause 6(3) of the Insurance Supervisory Levies Collection Bill 1989.

CLAUSE 8 AMOUNT OF LEVY

This clause provides that the amount of levy payable is the sum of the daily components of the levy for each day in a period for which the levy is payable.

CLAUSE 9 DAILY COMPONENT OF LIFE INSURANCE LEVY

This clause sets out how the daily component of the levy shall be calculated.

Subclause (1) provides that the daily component of the levy for a leviable day in a financial year shall be the annual rate of the levy of \$19,000, or such other amount as is prescribed applicable to that leviable day, divided by the number of days in the financial year (that is, 365 or 366).

Subclause (2) provides that the prescribed annual rate of the levy in respect of a leviable day in a financial year shall not exceed the statutory upper limit established for that financial year.

Subclause (3) provides that the prescribed annual rate of the levy may be varied but with effect no earlier than 1 July 1990.

CLAUSE 10 CALCULATION OF INDEXATION FACTOR

This clause establishes the procedure for calculating the indexation factor which is used to adjust annually the amount of the statutory upper limit.

CLAUSE 11 REGULATIONS

This clause provides that the Governor-General may make regulations for the purpose of prescribing the annual rate of levy applicable to a leviable day.