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Proposed Financial Institutions Supervisory Levies for 2021-22

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Consultation Process

Request for feedback and comments

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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 2021–22 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 2021-22 and some that were undertaken in 2020-21, to be funded through commensurate levies revenue to be collected in 2021–22.

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 (CRGs, revised 1 July 2014) 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 2021, 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 prudentially 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;*
- *Life Insurance Supervisory Levy Imposition Act 1998;*
- *General Insurance Supervisory Levy Imposition Act 1998;*
- *Retirement Savings Account Providers Supervisory Levy Imposition Act 1998;*
- *Superannuation Supervisory Levy Imposition Act 1998;* and
- *Private Health Insurance Supervisory Levy Imposition Act 2015.*

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

The total funding for these agencies raised under the levies is set through the annual Budget process.

APRA's activities

APRA places a strong emphasis on an active program of prudential supervision. APRA's supervisory approach is based on the fundamental premise that the primary responsibility for financial soundness and prudent risk management within an APRA-regulated institution rests with its board of directors and senior management. APRA's role is to promote prudent behaviour by institutions through a robust prudential framework of legislation, prudential standards and prudential guidance, which aims to ensure that risk-taking is conducted within reasonable bounds and that risks are clearly identified and well-managed.

APRA takes a risk-based approach to supervision that is designed to identify and assess those areas of greatest risk to an APRA-regulated institution, the industries it regulates, or to the Australian financial system as a whole and then direct supervisory resources and attention to these risks. APRA seeks to ensure that its supervisory judgments are accurate, timely and robust and that its responses are targeted and proportionate.

In doing so, APRA does not pursue a zero-failure objective. Rather, APRA seeks to maintain a low incidence of failure of APRA-regulated institutions whilst not unduly hindering efficiency, competition or otherwise impeding the competitive neutrality or contestability of the financial system. 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's objective is to identify likely failure of an APRA-regulated institution early enough so that corrective action can be promptly initiated or an orderly exit achieved.

Each year, APRA considers changes in its operating environment in setting its strategic priorities and continuing to successfully deliver on its legislated objectives. APRA's strategic priorities are outlined in its rolling four-year Corporate Plan published annually. APRA's 2020-2024 Corporate Plan includes four strategic focus areas where APRA aims to strengthen outcomes for the Australian community: to maintain financial system resilience; to improve outcomes for superannuation members; to improve cyber resilience across the financial system; and to transform governance, culture, remuneration and accountability across all regulated institutions.

The Corporate Plan also includes five areas where APRA intends to improve its internal capabilities including: improving and broadening risk-based supervision; improving APRA's resolution capability; improving external engagement and collaboration; transforming data-enabled decision making; and transforming APRA's leadership, people and ways of working. Key activities for 2021-22 are captured within the Corporate Plan available on APRA's website.[1]

In addition, in 2020 APRA reprioritised its efforts to respond urgently to COVID-19 and its economic and financial impacts in the short term given the significant changes in the external environment. This included APRA focusing on protecting the financial safety and soundness of regulated entities; fostering the operational resilience of regulated entities during a period of significant disruption; and enhancing contingency plans for adverse events. APRA continues to monitor the impact of COVID-19 and will adjust its program of work in 2021-22 accordingly, including winding down some specific COVID-19 response activities where improvements are evident.

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 II Framework, and ongoing specialised supervision of accredited ADIs;
- accreditation of general insurers with robust internal models to use these models to meet capital adequacy requirements;
- licencing fees; and
- the provision of statistical reports to the Reserve Bank of Australia (RBA), the Australian Bureau of Statistics (ABS); the Department of Foreign Affairs and Trade (DFAT) and the Department of Agriculture, Water and the Environment that are recovered through a fee for service arrangement.

[1] https://www.apra.gov.au/news-and-publications/apra-corporate-plan.

Summary of levies funding requirements for 2021-22

The total funding required under the levies in 2021-22 for all relevant Commonwealth agencies is $262.0 million. This is a $39.5 million (17.8 per cent) increase from the 2020-21 requirement. The increase is largely attributable to the 2020-21 Budget measure: 'Treasury Portfolio – additional funding' of $28.8 million, which is to be recovered in 2021-22[2]. This measure provided funding to APRA to boost its capacity to respond to risks within the financial system.

The components of the levies are outlined in Table 1.

Table 1: Total levies funding required

	2020-21 Budget ($m)	2021-22 Budget ($m)	Change ($m)	Change (%)
APRA	181.6	220.8	39.2	21.6
ASIC	2.1	0.1	(1.9)	(92.9)
ATO	34.6	36.8	2.2	6.5
ACCC	3.5	3.5	-	0.0
Gateway Network Governance Body	0.7	0.7	-	0.0
Prior year under-collection for agencies, other than APRA	-	0.1	0.1	-
Total	**222.5**	**262.0**	**39.5**	**17.8**

APRA's 2021-22 levy funding requirements

APRA's net funding requirements under the levies for 2021–22 are shown in Table 2 below.

The budgeted total cost for APRA for 2021-22 is $225.8 million, a $29.6 million (15.1 per cent) increase relative to the 2020-21 Budget. The higher amount as noted above is primarily due to funding increase from the 2020-21 Budget measure 'Treasury Portfolio – additional funding'.

Other components of the funding requirements are:

- A further $1.0 million to provide for future enforcement expenses;
- Recoup from industry (superannuation industry) of a levy under-collection of $0.3 million in 2020-21;
- Deferring $7.0 million of 2020-21 unspent expenses into 2021-22;
- Prior year uncollected levies from the 2020-21 Budget measure 'Treasury Portfolio – additional funding' of $12.8 million provided to APRA in 2020-21, to be collected in 2021-22; and
- Removal of the cost increase of $3.6 million arising from the introduction of AASB-16 Leases.

APRA's underlying net levies funding requirement for 2021-22 is $220.8 million, an increase of $39.2 million (21.6 per cent) relative to the funding requirement for 2020-21.

[2] The 2021-22 levy is to recover funding for 2020-21 and 2021-22. The 2020-21 funding has not been collected from industry.

Table 2: APRA — Levies funding required

	2020-21	2021-22		
	Revised Budget ($m)	Budget ($m)	Change ($m)	Change (%)
APRA – operating expenses	196.3	225.8	29.6	15.1
APRA – contingency enforcement fund	3.0	1.0	(2.0)	(66.7)
Non-Levy income (Table 3)	(10.1)	(8.5)	1.6	(15.4)
Prior year under / (over) collected revenue (recouped / refunded) from industry (Table 4)	(1.1)	0.3	1.4	(130.8)
Unspent 2020-21 expenses deferred into 2021-22	7.0	(7.0)	(14.0)	0.0
2020-21 additional funding to be collected in 2021-22	(12.8)	12.8	25.5	(200.0)
Removal of impact of AASB16 - Leases	(3.8)	(3.6)	0.2	(5.2)
Deferred funding for supervision of largest & most complex institutions	3.1	-	(3.1)	(100.0)
Net funding met through industry levies	**181.6**	**220.8**	**39.2**	**21.6**

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

	2020–21	2021–22		
Non-Levy income	**Budget ($m)**	**Budget ($m)**	**Change ($m)**	**Change (%)**
Appropriations - National Claims and Policies Database	(0.9)	(1.0)	(0.1)	4.7
- Other	(3.6)	(2.7)	0.9	(26.2)
Provision of goods and services	(5.5)	(4.8)	0.6	(11.8)
Total	**(10.1)**	**(8.5)**	1.6	(15.4)

'Other' appropriations funding relates largely to a government appropriation for interest received on APRA's cash reserves.

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 the levies of $0.4 million based on expected 2020-21 collections. The under-collection will be recouped from industry through the 2021–22 levies (Table 4).

Table 4: Under-collected levies

Source of revenue	2020–21 Budget ($m)	2020–21 Forecast ($m)	2020–21 Difference ($m)	Difference to be recouped from industry				
				ADI	LI	GI	Super	PHI
APRA Levies	181.6	181.3	0.3	-	-	-	0.3	-
Non-APRA levies	40.8	40.7	0.1	-	-	-	0.1	-
Total	222.5	222.0	0.4	-	-	-	0.4	-

Australian Securities and Investments Commission component

Of the levies collected, $0.1 million is for ASIC's costs in relation to the operation of the Superannuation Complaints Tribunal (SCT) in 2021-22.

Although SCT operations ceased at the end of December 2020, total funding of $0.2 million has been approved for 2021-22 and 2022-23 to address SCT records management, requests for information e.g. from other government agencies or bodies, freedom of information requests and other post closure expenditures.

In line with the Government's objectives for the ASIC Industry Funding Model – in particular, increasing the transparency of ASIC's regulatory costs and activities – it is expected that none of ASIC's costs will be recovered through the FISLs from 2023-24.

Australian Taxation Office component

Funding from the levies collected from the superannuation industry includes a component to cover the ATO's regulatory costs in administering the Superannuation Lost Member Register (LMR) and Unclaimed Superannuation Money (USM) frameworks.

In 2021-22, $16.0 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 superannuation funds about lost superannuation, including Super Match2, 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 in the LMR and in the USM frameworks; and
- reviewing and improving data matching techniques, which facilitates the display of lost and unclaimed accounts on the ATO On-Line Individuals Portal.

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 (CRS), which involves the early release of a person's preserved superannuation in specified circumstances. The COVID-19 early release of super measure announced in late March 2020 resulted in the ATO receiving applications from late April 2020 until late December 2020. The cost of administering this measure was not included in the 2020-21 levy. In 2021-22, $20.7 million will be recovered for the ATO to administer the CRS.

Australian Competition and Consumer Commission component

In the 2017-18 Budget, the Government committed funding to the ACCC to undertake regular inquiries into specific financial system competition issues.

In 2021-22, the ACCC is expected to conduct a new financial services inquiry in accordance with a direction from the Treasurer. The ACCC will also continue to investigate and take appropriate enforcement action to address competition issues in the financial services sector, undertake stakeholder consultation, identify emerging competition concerns and engage in advocacy to bring about changes to law or policy where necessary to address competition issues in the sector.

In 2021-22, $3.5 million will be recovered for the ACCC to administer the inquiries, advocacy and stakeholder consultation program of work in relation to the financial services sector. As this work is likely to concentrate on competition issues relating to ADIs, costs will be recovered from that industry.

Gateway Network Governance Body component

The Gateway Network Governance Body Ltd (GNGB) governs the Superannuation Transaction Network (STN), which is the gateway infrastructure that facilitates transmission of SuperStream data messages between employers, superannuation funds and the ATO. The GNGB 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 2021-22, $0.7 million will be recovered with respect to the GNGB.

Summary of sectoral levies arrangements for 2021-22

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 the 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 the 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 64 per cent and 36 per cent 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 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 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 to the PHI industry, consistent with the other regulated industries.

Table 5: APRA's supervisory effort by industry

Industry sector	***2018-19*** *Actual %*	***2019-20*** *Actual %*	***2020-21*** *Forecast %*	***2021-22*** *Estimate %*	***2021-22*** **4-yr average %**
Restricted component - % of time					
ADIs	42	46	45	44	44
Life insurance/Friendly societies	13	11	9	11	11
General insurance	19	16	16	17	17
Superannuation	26	28	29	28	28
Total	**100**	**100**	**100**	**100**	**100**
Unrestricted component – % of time					
ADIs	47	49	51	48	49
Life insurance/Friendly societies	16	10	9	12	12
General insurance	9	12	11	11	11
Superannuation	28	29	30	29	29
Total	**100**	**100**	**100**	**100**	**100**

APRA's levies requirement

Table 6 illustrates APRA's 2021-22 funding for both levy components from each industry and compares this with the levies funding required from each industry for 2020-21.

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

Industry	2020–21 Restricted component ($m)	2020–21 Unrestricted component ($m)	2020–21 Total ($m)	**2021–22 Restricted component ($m)**	**2021–22 Unrestricted component ($m)**	**2021–22 Total ($m)**
ADIs	48.6	31.7	80.2	**60.5**	**39.7**	**100.2**
Life insurance / Friendly societies	13.5	8.6	22.1	**15.0**	**9.1**	**24.1**
General insurers	20.3	6.5	26.8	**21.8**	**6.9**	**28.7**
Superannuation	28.4	16.4	44.8	**37.5**	**20.3**	**57.8**
Sub-total (excluding-PHI's)	110.8	63.2	173.9	**134.7**	**76.1**	**210.9**
Private health insurers	-	-	7.7	-	-	**9.9**
Total	**-**	**-**	181.6	**-**	**-**	**220.8**

Total sectoral levies arrangements for 2021-22

Table 7 itemises the total levies requirement by industry.

Table 7: Total levies required by industry

Industry	APRA ($m)	ATO ($m)	ASIC ($m)	GNGB ($m)	ACCC ($m)	Total 2021–22 ($m)	Total 2020–21 ($m)	Increase / (decrease) ($m)
Authorised deposit-taking institutions	100.2	-	-	-	3.5	103.7	83.8	19.9
Life insurance / Friendly societies	24.1	-	-	-	-	24.1	22.1	2.0
General insurers	28.7	-	-	-	-	28.7	26.8	1.9
Superannuation	57.8	36.8	0.1	0.7	-	95.5	82.1	13.4
Private health insurers	9.9	-	-	-	-	9.9	7.7	2.2
Total	220.8	36.8	0.1	0.7	3.5	262.0	222.5	39.5

Industry structure

Table 8 compares the number of institutions and their asset values at December 2019 and December 2020. The relevant asset values at the levy dates will be the basis for calculation of the levies for 2021-22. 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 calculation of levies for superannuation excludes employer-sponsor receivable assets. These assets are included in the table below.

Table 8: Institutional asset base used for modelling levies[3]

Industry sector	December 2019		December 2020	
	Number	Total assets ($b)	Number	Total assets ($b)
ADIs[1]				
Banks	97	4,758	99	5,283
Building societies	1	12	1	14
Credit unions	42	43	39	45
Restricted ADIs	1	0	1	0
Other ADIs	7	5	8	7
Sub-total	148	4,819	148	5,349
Life insurers	28	203	28	130[6]
Friendly societies	12	8	11	8
Sub-total	40	211	39	139
General insurers	96	130	93	144
Private Health Insurers	37	15	37	17
APRA-regulated superannuation institutions[2,3]				
Excluding small funds[4]	205	2,002	199	2,062
Small funds[5]	1,600	2	1,596	2
Sub-total	1,805	2,004	1,795	2,064
Total	2,126	7,177	2,112	7,712

1. The ADI classification does not include representative offices of foreign banks.
2. This data excludes superannuation institutions that APRA does not regulate, that is, exempt public sector superannuation schemes and ATO regulated self-managed superannuation funds.
3. For the purpose of levies modelling, pooled superannuation trust assets included in the sub-total for superannuation institutions. For APRA's statistical publications, pooled superannuation trust assets are not included in asset totals as these assets are already recorded in other superannuation categories.
4. Superannuation institutions excluding small funds 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. Total assets for life insurers fell significantly during the quarter ended June 2020 due to an entity transferring a substantial amount of investment-linked business from its life company to other managed investment schemes.

[3] 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.

Summary of the impact on each individual industry

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 $103.7 million consists of $100.2 million for APRA's supervision of the ADI industry and $3.5 million to fund work undertaken by the ACCC (Table 7).

The total compares to $83.8 million in 2020-21. Levies funding from ADIs in 2021-22 represents 39.6 per cent of the total levies, a slight increase from 37.7 per cent in 2020-21.

In 2021-22, APRA's supervisory activities in the ADI industry will focus on maintaining financial system resilience. This involves APRA continuing work on credit risk, capital strength, liquidity, operational resilience and contingency planning activities. APRA will look to wind-down some specific COVID-19 response activities where improvements are evident, will be closely monitoring home loan credit underwriting standards, and will review its strategic priorities for the ADI sector as the operating environment stabilises. APRA will also be looking to finalise its "Unquestionably Strong" standard as part of implementing the internationally agreed Basel 3 capital framework.

In 2021-22, the levy for providers of PPFs and foreign branches will be subject to an increased minimum of $17,500 for the restricted component, in line with other ADIs. The restricted maximum amount will decrease to $0.94 million and the restricted levy rate will be set equal to that of other ADIs. These institutions are subject to the same unrestricted levy rate as other ADIs.

Life insurance/Friendly societies

Total levies funding of $24.1 million is to recover APRA's supervision of the life insurance industry (Table 7).

The total compares to $22.1 million in 2020-21. Levies funding from life insurers/friendly societies in 2021-22 represents 9.2 per cent of the total levies, compared to 9.9 per cent in 2020-21. The levy maximum has been reduced from $0.9 million in 2020-21 to $0.84 million in 2021-22.

In 2021-22, APRA will focus on the sustainability and resilience of regulated entities, including capital planning, stress testing, recovery planning and operational resilience. APRA will continue to prioritise its work on the sustainability and ongoing viability of insurance products and strategies/ business models enabled by stronger risk governance and data. The focus for friendly societies will be on strategy and governance, building recovery planning capability and enhancing APRA's resolution capabilities. APRA will look to wind-down some specific COVID-19 response activities where improvements are evident and the operating environment stabilises.

General insurance

Total levies funding of $28.7 million is to be recovered for APRA's supervision of the general insurance industry (Table 7).

The total compares to $26.8 million in 2020-21. Levies funding from general insurers in 2021-22 represents 11.0 per cent of the total levies, compared to 12.0 per cent in 2020-21.

In 2021-22, APRA's focus will be on supervisory activities taking the learnings from COVID-19, particularly in relation to the issues associated with business interruption insurance and applying those learnings towards strengthening the management of insurance risk across the industry. APRA will also focus on enhancing financial resilience by improving recovery planning capabilities across the industry through continuing the phased rollout of recovery planning work. In addition, APRA will continue to engage with key industry stakeholders on issues regarding the affordability and availability of insurance. APRA will also look to wind-down some specific COVID-19 response activities where improvements are evident and the operating environment stabilises.

National Claims and Policies Database special levy

In addition to the levies for general insurers, a separate levy to cover the costs of operating the National Claims and Policies Database (NCPD) will continue in 2021-22. 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 2021-22 is $1.0 million, compared to $0.9 million collected in 2020-21.

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 2021-22.

Table 9: Parameters for NCPD levy

	2020–21		2021–22	
	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 (%)	0.0260	0.0295	0.0261	0.0326
Runoff amount ($)	2,500	2,500	2,500	2,500
Total levy ($m)	0.45	0.50	0.46	0.53

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 $95.5 million consists of $57.8 million for APRA's supervision of the superannuation industry and $37.6 million for costs relating to ASIC, ATO and GNGB. This total compares to $82.1 million in 2020-21 (Table 7).

Levies funding in 2021-22 represents 36.5 per cent of total levies, compared to 36.9 per cent in 2020-21.

In 2021-22, APRA's supervisory activities in the superannuation industry will continue to focus on improving outcomes for superannuation members, including thematic deep dives on drivers of member outcomes and areas of heightened risk, improving transparency on the performance of superannuation funds, including making public APRA's assessment of product performance and outcomes across a range of relevant financial and non-financial measures, and intervening through timely supervisory action by holding trustees to account and resolving persistently underperforming funds, products and options.

APRA will also support implementation of the Government's *Your Future, Your Super* reforms and will look to wind-down some specific COVID-19 response activities where improvements are evident and the operating environment has stabilised.

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 $9.9 million is to recover APRA's costs for the supervision of the PHI industry, extending the transitional period by another year towards full adoption of the APRA time allocation methodology (full levy amount, prior to transitional adjustments, would have been $12.2 million).

The total compares to $7.7 million in 2020-21. Levies funding from private health insurers in 2021-22 represents 3.8 per cent of the total levies, compared to 3.5 per cent in 2020-21.

In 2021-22, APRA's activities will focus on strengthening the prudential and supervisory framework and practices, with a focus on increasing the risk sensitivity of the capital framework, improving industry preparedness to address industry risks through the establishment of credible recovery plans, and other activities aimed at lifting supervisory practices, including better benchmarking and engagement with key stakeholders. APRA will look to wind-down some specific COVID-19 response activities where improvements are evident and the operating environment stabilises.

The rate for a single policy for 2021-22 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.

$$\text{2021-22} = \frac{990{,}000{,}000}{\text{single coverage policies} + (2 \text{ X other coverage policies})}$$

The rate for other policies, including joint policies, for 2021–22 is the amount in cents worked out using the formula below:

$$\text{2021-22} = 2 \text{ x } \frac{990{,}000{,}000}{\text{single coverage policies} + (2 \text{ X other coverage policies})}$$

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 2021-22.

Levies comparison between previous years and 2021-22

This section presents how the levy payable by a non-PHI institution will be determined in 2021-22. The prospective restricted rates, minimum, maximum, and unrestricted rates for each option are listed in Table 10 and compared to the actual parameters from 2020-21.

Recent APRA analysis indicates that the minimum restricted component of the levy for each sector was generally too low, and that the maximum for each sector was slightly higher than required in some industries. Gradual increases in minimums for each sector began in 2015-16 to address this issue, however, these increases were paused in 2019-20 and will recommence in 2021-22.

Table 10: Levy parameters

Industry	Criteria	2020-21	2021-22	
		Actual	Forecast	Change (%)
ADIs - locally incorporated	**Restricted:**			
	Rate %	0.00289	0.00447	54.8%
	Minimum	15,000	17,500	16.7%
	Maximum	5,025,000	4,700,000	(6.5%)
	Unrestricted rate (%)	0.000631	0.000827	31.0%
ADIs - foreign branches	**Restricted:**			
	Rate %	0.00058	0.00089	54.2%
	Minimum	15,000	17,500	16.7%
	Maximum	1,005,000	940,000	(6.5%)
	Unrestricted rate (%)	0.000631	0.000827	31.0%
Life insurers / Friendly societies	**Restricted:**			
	Rate %	0.01641	0.02154	31.2%
	Minimum	15,000	17,500	16.7%
	Maximum	900,000	840,000	(6.7%)
	Unrestricted rate (%)	0.004639	0.007082	52.7%
General insurers	**Restricted:**			
	Rate %	0.01943	0.02019	3.9%
	Minimum	15,000	17,500	16.7%
	Maximum	1,300,000	1,220,000	(6.2%)
	Unrestricted rate (%)	0.004726	0.004649	(1.6%)
Superannuation funds	**Restricted:**			
	Rate %	0.00300	0.00620	106.6%
	Minimum	5,000	7,500	50.0%
	Maximum	600,000	560,000	(6.7%)
	Unrestricted rate (%)	0.003154	0.002922	(7.4%)
Superannuation funds - Pooled Superannuation Trusts	**Restricted:**			
	Rate %	0.00150	0.00310	106.6%
	Minimum	5,000	7,500	50.0%
	Maximum	300,000	280,000	(6.7%)
	Unrestricted rate (%)	0.000907	0.000969	6.9%

Tables 11 to 16 compare the cost of the levies payable in each industry for each relevant asset base between 2019-20 and 2020-21, and the proposed levies payable in 2021-22.

Table 11: Amounts levied on ADIs

Asset base	$50m ($'000)	$500m ($'000)	$5b ($'000)	$25b ($'000)	$100b ($'000)	$800b ($'000)
2019-20	15.5	29.8	298.2	1,490.9	4,080.3	10,767.7
2020-21	15.3	18.2	176.3	881.4	3,525.5	10,075.4
2021-22	17.9	26.5	265.0	1,324.8	5,299.3	11,314.4

Table 12: Amounts levied on foreign ADI branches

Asset base	$500m ($'000)	$5b ($'000)	$25b ($'000)	$50b ($'000)
2019-20	19.8	97.8	488.8	977.5
2020-21	18.2	60.5	302.5	605.1
2021-22	21.6	85.9	429.3	858.5

Table 13: Amounts levied on Life insurers/Friendly societies

Asset base	$50m ($'000)	$500m ($'000)	$5b ($'000)	$10b ($'000)	$50b ($'000)	$100b ($'000)
2019-20	16.6	83.1	831.5	1,424.8	2,683.8	4,257.7
2020-21	17.3	105.2	1052.3	1,363.9	3,219.4	5,538.8
2021-22	21.0	143.1	1,194.1	1,548.2	4,380.9	7,921.8

Table 14: Amounts levied on General insurers

Asset base	$15m ($'000)	$50m ($'000)	$250m ($'000)	$1b ($'000)	$5b ($'000)	$15b ($'000)
2019-20	16.1	18.7	75.3	301.0	1,505.1	2,414.0
2020-21	15.7	17.4	60.4	241.6	1,208.1	2,009.0
2021-22	18.2	19.8	62.1	248.4	1,241.9	1,917.4

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)
2019-20	5.2	6.8	17.0	68.0	1,311.4	2,378.5	4,157.0
2020-21	5.2	6.6	15.4	61.6	1,230.9	2,177.2	3,745.4
2021-22	7.6	9.0	22.8	91.2	1,144.3	2,020.8	3,481.6

Table 16: Amounts levied on PSTs

Asset base	$10m ($'000)	$50m ($'000)	$500m ($'000)	$5b ($'000)	$10b ($'000)	$20b ($'000)	$50b ($'000)
2019-20	5.1	5.4	12.1	120.9	241.8	459.8	699.5
2020-21	5.1	5.5	12.0	120.4	240.9	481.4	753.5
2021-22	7.6	8.0	20.3	203.4	376.9	473.8	764.5