The Treasury

Proposed Financial Institutions Supervisory Levies for 2024-25

Discussion paper

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Contents

Contents....ii

Consultation Process....1

Request for feedback and comments....1

Introduction....2

Australian Government Cost Recovery....2

Policy and legislative basis for the levies....2

APRA's activities....3

Summary of levies funding requirements for 2024-25....5

APRA's 2024-25 levy funding requirements....5

Adjustment for over-collected levies....6

Australian Taxation Office component....7

Gateway Network Governance Body component....7

Summary of sectoral levies arrangements for 2024-25....8

APRA's levies requirement....9

Total sectoral levies arrangements for 2024-25....9

Industry structure....10

Summary of the impact on each individual industry....11

Authorised deposit-taking institutions....11

Life insurance/Friendly societies....11

General insurance....12

National Claims and Policies Database special levy....12

Superannuation....13

Private health insurance....13

Non-operating holding companies....14

Levies comparison between previous years and 2024-25....14

Consultation Process

Request for feedback and comments

Closing date for submissions: 10 June 2024

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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 2024–25 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 2024-25, to be funded through commensurate levies revenue to be collected in 2024–25.

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 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 2024, 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 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;*
- *General Insurance Supervisory Levy Imposition Act 1998;*
- *Life Insurance Supervisory Levy Imposition Act 1998;*
- *Private Health Insurance Supervisory Levy Imposition Act 2015;*
- *Superannuation Supervisory Levy Imposition Act 1998;* and
- *Retirement Savings Account Providers Supervisory Levy Imposition Act 1998.*

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 comprise costs incurred by the Australian Taxation Office (ATO), the Gateway Network Governance Body and Treasury.

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

APRA's activities

APRA seeks to achieve its purpose and outcomes by employing a supervision-led approach to identifying risks and vulnerabilities within the financial system and responding to ensure those risks and vulnerabilities are mitigated. APRA seeks to be forward-looking, risk-based, and outcomes-focused – addressing potential problems before they adversely impact those APRA is tasked to protect, assisting in minimising regulatory burden, and facilitating competition and innovation.

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

The shape and structure of the Australian financial system is rapidly evolving and risks to APRA, financial institutions, the financial system and the broader Australian community can emerge quickly. Each year, in setting its strategic priorities, APRA takes into consideration changes in its operating environment and the Government's policy priorities to ensure it continues to effectively deliver on its statutory objectives and APRA's Statement of Intent in response to the current Statement of

Expectations for APRA[1] (which was issued by the Government in June 2023). APRA's strategic priorities are outlined in its rolling four-year Corporate Plan published annually. APRA's 2023-24 Corporate Plan covers the four years to 2026-27 and is based around the continuation of the key themes in APRAs 2022-23 Corporate Plan of: (i) maintaining financial system resilience; (ii) improving outcomes for superannuation members; (iii) transforming governance, culture, remuneration and accountability across all regulated institutions; and (iv) improving cyber resilience across the financial system. These themes are designed to drive organisational focus on delivering APRA's purpose and key outcomes for the Australian community to ensure resilient and prudently managed financial institutions; promote the stability of the Australian financial system; and contribute to the Australian community's ability to achieve good financial outcomes. APRA's strategic priorities and activities will be reviewed as part of setting APRA's 2024-25 Corporate Plan.

APRA works closely with other regulatory agencies to achieve its purpose and strategic priorities including those that form part of the Council of Financial Regulators (CFR), which includes the Department of the Treasury (Treasury), the Reserve Bank of Australia (RBA), and the Australian Securities and Investments Commission (ASIC).

Key activities for 2024-25 are captured within the Corporate Plan available on APRA's website[2].

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 Framework, and ongoing specialised supervision of accredited ADIs;
- licencing fees; and
- the provision of statistical reports to the RBA and the Australian Bureau of Statistics (ABS).

[1] https://www.apra.gov.au/statement-of-expectations
[2] https://www.apra.gov.au/apra-corporate-plan-2023-24

Summary of levies funding requirements for 2024-25

The total funding required under the levies in 2024-25, for all relevant Commonwealth agencies, is $294.0 million. This is a $29.3 million (11.1 per cent) increase from the 2023-24 requirement. The increase is attributable to a 10.3 per cent increase in APRA's levies requirements (see next section for details), $0.6 million increase in the Gateway Network Governance Body component and a $6.7 million increase in the Australian Taxation Office (ATO) component[3], partially offset by $1.0 million prior year under-collection in 2023-24 for agencies other than APRA.

The components of the levies are outlined in Table 1.

Table 1: Total levies funding required

	2023-24 Budget ($m)	2024-25 Budget ($m)	Change ($m)	Change (%)
APRA	223.1	246.1	23.0	10.3
ASIC	-	-	-	-
ATO	38.9	45.6	6.7	17.2
ACCC	-	-	-	-
Gateway Network Governance Body	0.7	1.3	0.6	85.7
Treasury superannuation consumer advocate	1.0	1.0	-	-
Prior year under-collection for agencies, other than APRA	1.0	-	(1.0)	(100.0)
Total	**264.7**	**294.0**	**29.3**	**11.1**

APRA's 2024-25 levy funding requirements

APRA's net funding requirements under the levies for 2024-25 are shown in Table 2 below.

The budgeted total cost for APRA for 2024-25 is $270.2 million, a $31.1 million (13.0 per cent) increase to the 2023-24 Budget. The increase is largely due to the Cyber Security of Regulators and Improving Registers 2024-25 Budget Measure and the effects of wage cost index movements. Other components of the funding requirements include:

- A further $1.0 million to provide for future enforcement costs;
- Removal of $21.1 million of non-levy income (refer to Table 3);
- Refund of $1.7 million of prior year over-collected levies from industry;
- New Policy Proposal of $0.8 million for climate related financial disclosure; and
- Removal of the cost increase of $3.1 million arising from the introduction of AASB-16 Leases.

APRA's underlying net levies funding requirement for 2024-25 is $246.1 million, an increase of $23.0 million (10.3 per cent) to the funding requirement for 2023-24.

[3] Refer to page 7 for ATO activities funded through the levies.

Table 2: APRA — Levies funding required

	2023-24 Budget ($m)	2024-25 Budget ($m)	Change ($m)	Change (%)
APRA – operating expenses	239.1	270.2	31.1	13.0
APRA – contingency enforcement fund	1.0	1.0	-	-
Non-Levy income (Table 3)	(14.9)	(21.1)	(6.2)	41.6
Prior year under / (over) collected revenue (recouped / refunded) from industry (Table 4)	5.3	(1.7)	(7.0)	(132.1)
Budget Measure - climate related financial disclosure	-	0.8	0.8	100.0
Unspent 2022-23 expenses deferred into 2023-24	(4.0)	-	4.0	(100.0)
Removal of impact of AASB16 – Leases	(3.4)	(3.1)	0.3	(8.3)
Net funding met through industry levies	**223.1**	**246.1**	**23.0**	**10.3**

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

Non-Levy income	2023–24 Budget ($m)	2024–25 Budget ($m)	Change ($m)	Change (%)
Appropriations - Other	(9.4)	(16.4)	(7.0)	74.5
Provision of goods and services	(5.5)	(4.7)	0.8	(14.5)
Total	**(14.9)**	**(21.1)**	**(6.2)**	**41.6**

The movement in 'Other' relates to the Wage Cost Index indexation framework.

Adjustment for over-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 over-collection of levies of $1.7 million based on expected 2023-24 collections. The over-collection will be refunded to the industry through the 2024-25 levies (Table 4).

Table 4: Over-collected levies

Source of revenue	2023–24 Budget ($m)	2023–24 Forecast ($m)	2023–24 Difference ($m)	Difference to be recouped from industry				
				ADI	LI	GI	Super	PHI
APRA Levies	222.0	223.8	(1.7)	-	-	-	(1.7)	-
Non-APRA levies	41.6	41.6	-	-	-	-	-	-
Total	263.6	265.4	(1.7)	-	-	-	(1.7)	-

Australian Taxation Office component

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

In 2024-25, $15.3 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 funds to engage members being reunited with their super, 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 on the LMR and in the USM system;
- reviewing and improving data matching techniques, which facilitates the display of lost and unclaimed accounts on the ATO On-Line Individuals Portal; and
- undertake work to identify and mitigate risk and fraud.

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 programme. The compassionate grounds enable the ATO to consider the early release of a person's preserved superannuation in specified circumstances.

In 2024-25, $30.3 million will be recovered for the ATO to administer this programme.

Gateway Network Governance Body component

The Gateway Network Governance Body Ltd (GNGB) governs the Superannuation Transaction Network (STN), the gateway infrastructure that facilitates transmission of SuperStream data messages between employers, superannuation funds and the ATO. It 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 2024-25, $1.3 million will be recovered with respect to the GNGB. The $0.6 million increase from 2023-24 is to reflect the changes in consumer price index (CPI) and increased focus on cyber threats and security of data within the STN.

Treasury component

Treasury administer a grant to fund a superannuation consumer advocate, which has been chosen through a competitive grant process. The advocate undertakes research and analysis, engages with government, regulators and industry on policy issues affecting superannuation members, and represents the interests of superannuation members in public discourse.

In 2024-25, $1.0 million will be recovered to fund the grant.

Summary of sectoral levies arrangements for 2024-25

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 reported 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 reported 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 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 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 approximately 56 per cent and 44 per cent respectively 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 regulation of 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 the 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 costs to the PHI industry, consistent with the methodology for other regulated industries. 2022-23 was the first year the PHIs fully transitioned to the time allocation methodology consistent with the other industries.

Table 5: APRA's supervisory effort by industry

Industry sector	*2021-22*	*2022-23*	*2023-24*	*2024-25*	*2024-25*
	Actual %	*Actual %*	*Forecast %*	*Estimate %*	**4-yr average %**
Restricted component - % of time					
ADIs	35	45	46	46	43
Life insurance/Friendly societies	11	10	9	7	9
General insurance	17	13	12	11	13

Superannuation	32	27	29	31	30
Private health insurance	5	5	4	5	5
Total	**100**	**100**	**100**	**100**	**100**
Unrestricted component – % of time					
ADIs	36	47	46	47	44
Life insurance/Friendly societies	11	10	9	7	9
General insurance	16	13	12	11	13
Superannuation	33	25	28	30	29
Private health insurance	4	5	5	5	5
Total	**100**	**100**	**100**	**100**	**100**

APRA's levies requirement

Table 6 illustrates APRA's 2024-25 funding for both levy components from each industry and compares this with the levies funding required from each industry for 2023-24.

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

Industry	2023–24 Restricted component ($m)	2023–24 Unrestricted component ($m)	2023–24 Total ($m)	2024–25 Restricted component ($m)	2024–25 Unrestricted component ($m)	2024–25 Total ($m)
ADIs	53.0	38.6	91.6	59.1	47.4	106.5
Life insurance / Friendly societies	12.3	8.1	20.4	12.3	9.8	22.1
General insurers	18.2	11.3	29.5	18.3	14.4	32.7
Superannuation	41.4	28.7	70.1	41.9	31.8	73.7
Sub-total (excluding-PHIs)	124.9	86.7	211.6	131.6	103.4	235.0
NCPD special levy	-	-	1.1	-	-	1.1
Private health insurers	-	-	10.4	-	-	10.0
Total	-	-	223.1	-	-	246.1

Total sectoral levies arrangements for 2024-25

Table 7 itemises the total levies requirement by industry.

Table 7: Total levies required by industry

Industry	APRA ($m)	ATO ($m)	GNGB ($m)	Treasury ($m)	Prior year Non-APRA under-collection ($m)	Total 2024–25 ($m)	Total 2023–24 ($m)	Increase / (decrease) ($m)
Authorised deposit-taking institutions	106.5	-	-	-	-	106.5	91.7	14.8
Life insurance / Friendly societies	22.1	-	-	-	-	22.1	20.4	1.7
General insurers	32.7	-	-	-	-	32.7	29.5	3.2
Superannuation	73.7	45.6	1.3	1.0	-	121.6	111.6	10.0
NCPD special levy	1.1	-	-	-	-	1.1	1.1	0.0

Private health insurers	10.0	-		-	-	10.0	10.4	(0.4)
Total	246.1	45.6	1.3	1.0	-	294.0	264.7	29.3

Industry structure

Table 8 compares the number of institutions and their asset values at December 2022 and December 2023. The relevant asset values at the levy dates will be the basis for calculation of the levies for 2024-25. 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 the calculation of levies for superannuation excludes employer-sponsored receivable assets for Public Sector entities. These assets are included in the table below.

Table 8: Institutional asset base used for modelling levies[4]

Industry sector	December 2022		December 2023	
	Number[7,8]	Total assets ($b)[9]	Number[7]	Total assets ($b)[9,10]
ADIs[1,2]				
Banks (excluding mutuals)	72	5,987	73	6,031
Mutuals[3]	59	182	57	196
Other ADIs (not defined as banks or mutuals)	7	9	7	10
Restricted ADIs	4	0	3	0
Sub-total	142	6,178	140	6,237
Life insurers	24	123	24	135
Friendly societies	11	9	10	10
Sub-total	35	132	34	145
General insurers	89	163	90	132
Private health insurers	32	19	31	19
APRA-regulated superannuation institutions[4]				
Excluding small funds[5]	130	2,299	122	2,566
Small funds[6]	1,247	2	1,243	2
Sub-total	1,377	2,301	1,365	2,568
Total	1,675	8,793	1,660	9,101

1. Number of representative offices of foreign banks have not been included in the ADI classification or total number of regulated entities, as APRA does not regulate them.
2. The assets figures for ADIs have been sourced from the Economic and Financial Statistics (EFS) data collection which reports on a domestic book's basis.
3. Mutual ADIs are defined as ADIs operating under a mutual corporate structure in accordance with ASIC Regulatory Guide 147.

4 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.

4. This data excludes superannuation institutions that APRA does not regulate, that is, exempt public sector superannuation schemes and ATO regulated self-managed superannuation funds.
5. Superannuation institutions excluding small funds may 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.
6. Small funds consist of small APRA funds (SAFs) and single member approved deposit funds (SMADFs).
7. The 'number of entities' includes entities that are currently in the process of winding up or deregistration, but remain authorised entities as at the date of this data being compiled.
8. Number of entities for end-December 2022 have been revised to reflect wind-up and deregistration of entities finalised during the 2023 calendar year.
9. Asset figures for end-December 2023 are based on the most recently submitted returns. Asset figures for end-December 2022 have been revised slightly from prior year's report in line with audited returns and resubmissions received during the year.
10. Asset figures for general, life and private health insurance and friendly societies for end-December 2023 have been impacted by changes to the reporting framework for insurance to reflect the implementation of Australian Accounting Standards Board 17 Insurance Contracts (AASB17).

Summary of the impact on each individual industry

In this section we outline the levy impact on each industry and APRA's areas of focus in 2024-25. As a result of the heightened risk environment the supervised entities operate in, a common focus for APRA across all industries in 2024-25 will be assessing their operational resilience in responding to cyber security events.

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 $106.5 million is to recover the costs of APRA's supervision of the ADI industry (Table 7).

The total compares to $91.7 million in 2023-24. Levies funding from ADIs in 2024-25 represents 36.2 per cent of the total levies, a slight increase from 34.6 per cent in 2023-24. The levy minimum and maximum for 2024-25 remain unchanged, at $22,500 and $6,400,000 respectively.

In 2024-25, APRA's supervisory activities within the Banking industry will continue the focus on protecting the safety and resilience of ADIs, promoting confidence and stability in the financial system, and supporting the community to achieve good financial outcomes. APRA will continue to reinforce core supervisory activities to ensure entities have robust credit risk management to manage underperforming loans; embed lessons from last year's global turmoil through targeted review on liquidity risk; and maintain ongoing engagement with entities on stress testing to ensure ADIs are adequately capitalised to withstand severe but plausible downturns. APRA will maintain its heightened supervision to enhance ADI's readiness for disruption events and crisis management, including focuses on the Banking industry's cyber resilience; ADIs' preparedness to shift their mindset towards critical operations and material service providers to enhance resilience through their day-to-day operations; and assessment of entities' recovery and exit plans, in accordance with CPS 190 requirements, and involvement of a select number of entities in future resolution planning.

All insurance

APRA will maintain its heightened supervisory focus on cyber resilience, ensuring that all entities meet the standards expected of them under Prudential Standard CPS 234 Information Security. APRA will host information roundtables to brief and prepare entities for the incoming CPS 230 requirements. Entities should expect further engagement on operational resilience to assist readiness. The FAR will come into effect from March 2025 for the insurance and superannuation industries and will strengthen accountability in all regulated entities. APRA and ASIC will support the financial services industry to ensure the effective implementation of the FAR. GCRA components will be heightened in supervisory engagements, including for entities that are implementing material risk transformation projects. APRA will also run a pilot round of “pulse surveys” from the middle of 2024 whereby selected entities will be asked to integrate a small number of key risk culture questions into their own survey and provide findings to APRA. APRA will ask SFIs for information to prioritise entities for future resolution planning and will continue bespoke resolution planning with a small number of entities.

General insurance

Total levies funding of $32.7 million is to be recovered for APRA’s supervision of the general insurance industry (Table 7).

The total compares to $29.5 million in 2023-24. Levies funding from general insurers in 2024-25 represents 11.1 per cent of the total levies, compared to 11.1 per cent in 2023-24. The levy minimum and maximum for 2024-25 remain unchanged, at $22,500 and $1,450,000 respectively.

In 2024-25, APRA’s activities in the general insurance industry will aim to build resilience in the industry through improved risk management requirements across the sector, particularly as it faces challenges posed heightened cyber operational risks and affordability pressures for consumers. APRA will continue to focus on strengthening insurance risk management capabilities across the industry especially those with outsourced underwriting functions. APRA will continue to work with stakeholders to deepen the understanding of the drivers of affordability and availability pressures. This will include a data focus to support the work being progressed by the Hazards Insurance Partnership and encouraging insurers to consider what options and innovations might improve affordability and availability for policyholders. APRA will also continue work on the Climate Vulnerability Assessment which is designed to understand the impact of climate change on household insurance affordability out to 2050.

Life insurance/Friendly societies

Total levies funding of $22.1 million is to recover the costs of APRA’s supervision of the life insurance industry (Table 7).

The total compares to $20.4 million in 2023-24. Levies funding from life insurers/friendly societies in 2024-25 represents 7.5 per cent of the total levies, a slight reduction from 7.7 per cent in 2023-24. The levy minimum and maximum for 2024-25 remain unchanged, at $22,500 and $1,150,000 respectively.

In 2024-25, APRA’s supervisory activities in the life insurance and friendly society industry will remain focused on the establishment of a sound basis for long term product sustainability, ensuring good prudential outcomes for life insurers, and good long-term consumer outcomes. Entities can expect APRA to continue to review their progress in meeting APRA’s product sustainability expectations across both individual and group insurance business.

A 12-month transitional period has been applied to the distribution of 2024-25 levies for the life insurance and General Insurance industries, with entity asset values at March 2023 applied to remove volatility resulting from the implementation of Accounting Standard AASB17. An assessment as to whether AASB17 supports a longer-term change in approach to the distribution of levies for these two industries will be considered for future financial years.

National Claims and Policies Database special levy

In addition to the levy for general insurers, a separate levy to cover the costs of operating the National Claims and Policies Database (NCPD) will continue in 2024-25. 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 2024-25 is $1.1 million, in line the $1.1 million collected in 2023-24. The special levies funding from NCPD in 2024-25 represents 0.4 per cent of the total levies, in line with 2023-24.

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 2024-25.

Table 9: Parameters for NCPD levy

	2023–24		2024–25	
	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 (%)	0.0308	0.0262	**0.0398**	**0.0273**
Runoff amount ($)	2,500	2,500	**2,500**	**2,500**
Total levy ($m)	0.56	0.56	**0.59**	**0.55**

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.

Private health insurance

Total levies funding of $10.0 million is to recover APRA’s costs for the supervision of the PHI industry. The total compares to $10.4 million in 2023-24 (Table 7). Levies funding from private health insurers in 2024-25 represents 3.8 per cent of the total levies, compared to 3.9 per cent in 2023-24.

In 2024-25, Entities can expect APRA to communicate observations from the review of ICAAP summary statements received. Robust board oversight of capital management is an important component of the new private health insurance capital framework.

The rate for a single policy for 2024-25 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.

$$2024\text{-}25 = \frac{1{,}000{,}000{,}000}{\text{single coverage policies} + (2 \text{ X other coverage policies})}$$

The rate for other policies, including joint policies, for 2024–25 is the amount in cents worked out using the formula below:

$$2024\text{-}25 = 2 \text{ x } \frac{1{,}000{,}000{,}000}{\text{single coverage policies} + (2 \text{ X other coverage policies})}$$

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.

Superannuation

Total levies funding by the superannuation industry of $121.6 million consists of $73.7 million for APRA's supervision of the superannuation industry and $47.9 million for costs relating to ATO, GNGB and the Treasury.

This total compares to $111.6 million in 2023-24 (Table 7). Levies funding from the superannuation industry in 2024-25 represents 41.4 per cent of total levies, a slight reduction from 42.2 per cent in 2023-24, primarily driven by the refund of $1.7 million of prior year over-collection of APRA levies offset by an increase in the ATO levies. The levy minimum and maximum for 2024-25 remain unchanged, at $12,500 and $800,000 respectively.

In 2024-25, APRA's supervisory activities in the superannuation industry will continue to focus on assessing trustees policies, processes, and practices in delivering good member outcomes, including:

- System-wide risks associated with investment market conditions and the Superannuation industry's growing size and impact on the Australian financial system highlight the importance of robust investment governance by RSE licensees. APRA expects RSE licensees to ensure investment governance practices are sound, particularly in relation to asset valuation and liquidity management practices. These risks become further amplified as trustees increasingly start to internalise all or part of the investment functions. APRA will review trustees' approaches to investment management internalisation.
- Prudential Standard CPS 230 Operational Risk Management (CPS 230) will come into effect from 1 July 2025. APRA expects RSE licensees to prepare effectively to implement enhanced requirements under CPS 230. APRA is in the process of finalising its approach to supporting entities in transitioning to the new requirements. APRA seeks to ensure that all regulated entities operate with strong control frameworks, effective business continuity plans, and only rely on service providers where they are confident robust arrangements are in place.
- Superannuation transparency, the legislated performance test and APRA's heatmaps have highlighted underperformance in MySuper and Trustee Directed Products (TDPs). APRA's supervisory focus remains on holding RSE licensees accountable for addressing underperformance with urgency – particularly where it is widespread across a product set – to

improve outcomes to members. In 2024-25, APRA's emphasis will move to ensuring TDP transparency and comparability is enhanced.

- APRA will continue to engage with RSE licensees to drive progress in improving the retirement outcomes and customer experience of members of the Australian community, with a continued focus on trustees' implementation of the retirement income covenant as well as the associated enhancements made to APRA's core superannuation standard, Prudential Standard SPS 515 Strategic Planning and Member Outcomes (SPS 515), due to commence on 1 January 2025.

The Financial Accountability Regime (FAR) will take effect for the superannuation industry on 15 March 2025 and will be jointly administered by APRA and ASIC. RSE licensees can expect engagement from APRA on FAR registration via APRA Connect over 2024.

Trustees continue to operate in a heightened risk environment with increasing cyber risks and investment markets that are changing in response to inflation, higher interest rates and geopolitical factors. APRA will assess and address any observed deficiencies in how trustees are preparing for the changing environment, including their operational resilience in responding to cyber security events and the adequacy of their practices to respond to market stresses, including possible liquidity stress.

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.

Non-operating holding companies

The 2024-25 levy for authorised non-operating holding companies (NOHCs) will remain unchanged, at a flat fee of $45,000 per institution.

Levies comparison between previous years and 2024-25

This section presents how the levy payable by a non-PHI institution will be determined in 2024-25. The prospective restricted rates, minimum, maximum, and unrestricted rates for each option are listed in Table 10 and compared to the actual parameters from 2023-24.

Table 10: Levy parameters

Industry	Criteria	2023-24	2024-25	
		Actual	Forecast	Change (%)
ADIs - locally incorporated	Restricted:			
	Rate %	0.00213	0.00282	32.3%
	Minimum	22,500	22,500	-
	Maximum	6,400,000	6,400,000	-
	Unrestricted rate (%)	0.000631	0.000763	20.9%
ADIs - PPF	Restricted:			
	Rate %	0.00213	0.00282	32.3%
	Minimum	22,500	22,500	-
	Maximum	1,280,000	1,280,000	-
	Unrestricted rate (%)	0.000631	0.000763	20.9%
ADIs - foreign branches	Restricted:			
	Rate %	0.00043	0.00056	31.0%
	Minimum	22,500	22,500	-
	Maximum	1,280,000	1,280,000	-
	Unrestricted rate (%)	0.000631	0.000763	20.9%
Life insurers / Friendly societies	Restricted:			
	Rate %	0.01377	0.01387	0.7%
	Minimum	22,500	22,500	-
	Maximum	1,150,000	1,150,000	-
	Unrestricted rate (%)	0.006336	0.007618	20.2%
General insurers	Restricted:			
	Rate %	0.01195	0.01219	2.0%
	Minimum	22,500	22,500	-
	Maximum	1,450,000	1,450,000	-
	Unrestricted rate (%)	0.006607	0.008495	28.6%
Superannuation funds	Restricted:			
	Rate %	0.00840	0.01130	34.6%
	Minimum	12,500	12,500	-
	Maximum	800,000	800,000	-
	Unrestricted rate (%)	0.003167	0.003393	7.1%
Superannuation funds - Pooled Superannuation Trusts	Restricted:			
	Rate %	0.00420	0.00565	34.6%
	Minimum	12,500	12,500	-
	Maximum	400,000	400,000	-
	Unrestricted rate (%)	0.001221	0.001274	4.3%

Tables 11 to 16 compare the cost of the levies payable in each industry for relevant asset bases between 2022-23 and 2023-24, and the proposed levies payable in 2024-25.

Table 11: Amounts levied on ADIs

Asset base	$50m ($'000)	$500m ($'000)	$5b ($'000)	$25b ($'000)	$100b ($'000)	$800b ($'000)
2022-23	20.3	23.3	164.9	824.4	3,297.5	11,716.5
2023-24	22.8	25.7	138.1	690.3	2,761.1	11,447.7
2024-25	22.9	26.3	179.0	895.0	3,580.0	12,501.3
Change (%) 2024-25 v 2023-24	0.3	2.6	29.7	29.7	29.7	9.2

Table 12: Amounts levied on foreign ADI branches

Asset base	$500m ($'000)	$5b ($'000)	$25b ($'000)	$50b ($'000)
2022-23	23.3	59.6	297.8	595.6
2023-24	25.7	54.0	264.2	528.5
2024-25	26.3	66.3	331.5	663.1
Change (%) 2024-25 v 2023-24	2.6	22.7	25.5	25.5

Table 13: Amounts levied on Life insurers/Friendly societies

Asset base	$50m ($'000)	$500m ($'000)	$5b ($'000)	$10b ($'000)	$20b ($'000)
2022-23	22.8	102.6	1,026.2	1,706.9	2,263.9
2023-24	25.7	100.5	1,005.3	1,783.6	2,417.3
2024-25	26.3	107.4	1,074.4	1,911.8	2,673.7
Change (%) 2024-25 v 2023-24	2.5	6.9	6.9	7.2	10.6

Table 14: Amounts levied on General insurers

Asset base	$15m ($'000)	$50m ($'000)	$250m ($'000)	$1b ($'000)	$5b ($'000)	$15b ($'000)
2022-23	20.9	23.0	53.9	215.6	1,078.0	2,357.1
2023-24	23.5	25.8	46.4	185.5	927.7	2,441.0
2024-25	23.8	26.7	51.7	206.8	1,034.0	2,724.2
Change (%) 2024-25 v 2023-24	1.2	3.7	11.5	11.5	11.5	11.6

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)
2022-23	10.1	11.5	18.9	75.8	1,397.8	2,294.6	3,789.2
2023-24	12.7	14.1	28.9	115.7	1,433.5	2,383.7	3,967.5
2024-25	12.7	14.2	36.7	147.0	1,478.6	2,496.5	4,193.0
Change (%) 2024-25 v 2023-24	0.1	0.8	27.1	27.1	3.1	4.7	5.7

Table 16: Amounts levied on PSTs

Asset base	$10m ($'000)	$50m ($'000)	$500m ($'000)	$5b ($'000)	$10b ($'000)	$20b ($'000)	$50b ($'000)
2022-23	10.1	10.5	16.6	165.7	331.3	603.7	909.3
2023-24	12.6	13.1	27.1	270.6	521.2	642.5	1006.1
2024-25	12.6	13.1	34.6	346.3	527.4	654.7	1,036.8
Change (%) 2024-25 v 2023-24	0.0	0.2	28.0	28.0	1.2	1.9	3.1