



CRIS: ASIC INDUSTRY FUNDING MODEL (2023–24)

This document is part of ASIC’s 2023–24 CRIS. It should be read in conjunction with the other documents that make up the CRIS, including the key terms.

G Insurance sector

Key points

This document outlines:

- our work during 2023–24 to regulate the insurance sector—for our ongoing regulatory activities, see paragraphs 1–7, and for our strategic work, see Table 1;
- the estimated levies to recover our costs—for a summary of the indicative levies for each subsector, see Table 2; and
- more detailed breakdowns of estimated costs for each subsector—see paragraphs 11–15.

The estimated levies are a guide only. The final levies will be based on our actual cost of regulating each subsector in 2023–24.

Overview of the insurance sector

- 1 The insurance sector consists of AFS licensees, including:
 - (a) insurance product providers;
 - (b) insurance product distributors;
 - (c) risk management product providers; and
 - (d) claims handling and settling services providers.

Our ongoing regulatory work

- 2 We examine a range of insurance products and markets where we see potential threats to fair outcomes for consumers. We also protect consumers by ensuring that marketing and disclosure are clear and not misleading, that insurance products are not mis-sold and that insurance claims and disputes are handled in a timely and fair manner.

- 3 We monitor the compliance of entities through supervision and surveillances, using a risk-based approach to identify regulatory risks and determine appropriate actions.
- 4 We use the full suite of our regulatory tools to promote integrity in this sector in order to bring about sound consumer outcomes. This includes, where appropriate, taking enforcement action to address misconduct. This action may span several years.
- 5 We continue to consult with and develop information for industry on our expectations of fair and transparent behaviour. We review specific market sectors and products, and we take regulatory and enforcement actions where necessary. These actions may include using ASIC’s product intervention power if there is a significant risk of consumer detriment.
- 6 Where appropriate, we engage in intensive supervision of certain entities as part of our regulatory toolkit.
- 7 Through our stakeholder engagements, we influence our regulated population to improve compliance and minimise consumer harm, while improving our understanding of issues and industry developments. We undertake outreach work and communicate and consult with ASIC’s stakeholders, including professional bodies and associations (e.g. the Financial Services Council, the Council of Australian Life Insurers and the Insurance Council of Australia), agencies, and other regulators.

Strategic work for this sector

- 8 ASIC’s [Corporate Plan 2023–27: Focus 2023–24](#) outlines our strategic priorities for the next four years and our planned actions for 2023–24. The corporate plan also sets out our core strategic projects, which support the delivery of our strategic priorities.
- 9 Our strategic priorities inform our [2024 enforcement priorities](#), which communicate our intent to industry and indicate where we will direct our resources and expertise.
- 10 Table 1 sets out our areas of focus in the insurance sector in 2023–24.
- Note: In Table 1, the strategic work may apply to the listed relevant subsectors, depending on prevailing circumstances. Our key actions for some strategic work can apply to multiple sectors and subsectors, particularly for our core strategic projects. This means that there may be other relevant sectors and subsectors for this work outside the insurance sector.

Table 1: Strategic work in the insurance sector (2023–24)

Focus area	Key actions	Relevant subsector
Cyber and operational resilience (core strategic project)	<ul style="list-style-type: none"> Reporting on a cross-industry self-assessment to benchmark and increase cyber resilience in our regulated population: see Report 776 Spotlight on cyber: Findings and insights from the cyber pulse survey 2023 (REP 776). Conducting targeted surveillances to monitor cyber and operational resilience among our regulated entities. Engaging with industry to promote good practices and support initiatives that enhance cyber resilience. Developing supervisory approaches for emerging operational risks, including artificial intelligence. Partnering with other regulators to harmonise regulatory approaches and action. Updating the legal and compliance obligations for regulated entities that were first published in Report 429 <i>Cyber resilience: Health check</i> (REP 429). Supporting the implementation of whole-of-government cyber resilience initiatives relevant to ASIC's regulated entities. Taking enforcement action against our regulated entities where there are egregious failures to mitigate the risks of cyber attacks and related governance failures relating to cyber resilience. 	All insurance subsectors
Design and distribution obligations (core strategic project)	<ul style="list-style-type: none"> Conducting surveillance of poor design and distribution practices across insurance products, particularly low-value insurance products. Taking disruptive action and enforcement action, including by issuing stop orders, to address poor design and distribution of products, including in relation to insurance products. 	Insurance product providers, risk management product providers.
Financial Accountability Regime	<ul style="list-style-type: none"> Developing industry guidance and engaging with industry. Implementing joint capabilities with APRA for registration and notification activities under the regime. 	Insurance product providers
Breach reporting	<ul style="list-style-type: none"> Continuing to closely monitor the operation of the new reportable situations regime to further support industry with the practical implementation of the new obligations. Working with stakeholders to identify and implement solutions that will improve the consistency and quality of reporting practices. Developing a framework for ongoing publication of information about the reports received. Conducting a targeted surveillance of AFS licensees that have not lodged any reportable situations or have low numbers of reportable situations (compared to peers) and, where appropriate, taking enforcement action. Developing enhanced data analytics capabilities to harness the value of the information we receive under the regime to achieve better regulatory outcomes. 	All insurance subsectors

Focus area	Key actions	Relevant subsector
Misconduct in general insurance claims handling and pricing	<ul style="list-style-type: none"> • Reviewing poor claims handling practices, focusing on delays, poor communication and record keeping, and inappropriate use of wear-and-tear exclusions. • Taking enforcement action against pricing and claims handling misconduct, with a particular focus on home insurance. 	Claims handling and settling services providers, insurance product providers
Life insurance premium levels	<ul style="list-style-type: none"> • Together with APRA, continuing to assess life insurers' compliance with their obligations in relation to the setting of premiums. We will focus on premium increase practices, disclosure and marketing, and sustainable product design. • Taking action against misconduct, and communicating our findings to drive improved outcomes for consumers around product design. 	Insurance product providers
Direct sale of life insurance	<ul style="list-style-type: none"> • Commencing a review of direct sales of life insurance products, with a focus on low-value products. • Taking action, including enforcement action, to address harmful practices. 	Insurance product providers

Summary table of estimated industry funding levies for the insurance sector

Table 2: Estimated industry funding levies for insurance sector

Subsector	Definition	Estimated cost recovery amount	Number of entities	Levy metric definition	Minimum levy	Graduated levy threshold	Estimated levy
Insurance product providers	<p>Entities that are AFS licensees authorised to deal in general insurance products, life insurance products or investment life products, and that are a:</p> <ul style="list-style-type: none"> • general insurer, authorised non-operating holding company or subsidiary of a general insurer or authorised non-operating holding company, within the meaning of the <i>Insurance Act 1973</i>; • life company that is registered under s21 of the <i>Life Insurance Act 1995</i> or a registered non-operating holding company within the meaning of that Act; or • party to the types of arrangements prescribed in reg 72(2) of the <i>ASIC Supervisory Cost Recovery Regulations 2017</i> (Cost Recovery Levy Regulations). 	\$13.125m	108	<p>Gross premium and net policy revenue</p> <p>Gross amount of premiums written and net revenue received, less any reinsurance expenses, in relation to business covered by the entity's AFS licence.</p> <p>Note: Our regulatory effort for insurance product providers varies, depending on whether the entity is a life insurer (or friendly society) or a general insurance product provider, and the scale of its operation. For example, a large general insurer with a substantial customer base presents a significantly larger risk to the broader financial system than a small general insurer with a limited number of products and customers.</p>	\$20,000	\$5m	Minimum levy of \$20,000, plus \$1.95 per \$10,000 of revenue above the \$5m threshold

Subsector	Definition	Estimated cost recovery amount	Number of entities	Levy metric definition	Minimum levy	Graduated levy threshold	Estimated levy
Insurance product distributors	Entities that are AFS licensees authorised to deal in general insurance products, life insurance products or investment life products. However, an entity is not part of this subsector if the entity is also part of the insurance product providers subsector for the financial year.	\$0.476m	3,540	Flat levy Note: Our regulatory costs for insurance product distributors will be shared equally between all entities in the subsector, because our level of regulatory activity is relatively similar for entities with each authorisation.	Not applicable	Not applicable	\$134
Risk management product providers	Entities that are AFS licensees authorised to deal in a financial product for managing financial risk (that is not a financial product specified in s764A of the Corporations Act). An entity can be part of this subsector as well as another subsector.	\$0.081m	81	Number of days authorised The number of days in the financial year on which the entity held the prescribed AFS licence authorisation.	Not applicable	Not applicable	\$1,087
Claims handling and settling services providers	Entities that are AFS licensees authorised to provide claims handling and settling services. An entity can be part of this subsector as well as another subsector.	\$7.650m	329	Number of insurance claims The number of claims relating to insurance products that the entity provided claims handling and settling services for in the financial year.	\$500	No threshold	Minimum levy of \$500, plus \$1.13 per claim under insurance products in relation to which the entity provides claims handling and settling services

Detailed breakdown of estimated costs of regulating each subsector in the insurance sector

- 11 We have provided a breakdown of the costs for each subsector in the insurance sector. It also includes the cost of regulating the subsector in the previous year. For more information about the actual costs for 2022–23, see [our annual dashboard and summary of variances documents](#) on our website.

Insurance product providers

- 12 ASIC’s cost of regulating the subsector in 2022–23 was \$27.5 million. The estimated cost of regulating the subsector for 2023–24 is \$13.1 million: see Table 3.

Table 3: Estimated costs to regulate insurance product providers

Expense	Estimated cost
Supervision and surveillance	\$2.722m
Enforcement	\$5.222m
Other regulatory activities	
<i>Industry engagement</i>	\$0.577m
<i>Education</i>	\$0.430m
<i>Guidance</i>	\$0.232m
<i>Policy advice</i>	\$0.426m
Indirect costs	
<i>Commission, legal services and risk management</i>	\$0.863m
<i>Digital, data and technology</i>	\$2.319m
<i>Corporate support</i>	\$1.098m
<i>Property and accommodation services</i>	\$1.495m
Total operating expenditure	\$15.385m
Allowance for capital expenditure	\$0.358m
Less costs funded by own-source revenue	(\$2.618m)
Adjustment for prior year (under or over recovery)	\$0.000m
Total levy to recover costs	\$13.125m

Note: Costs include expenses relating to novel relief applications where ASIC is not able to charge a fee.

Insurance product distributors

- 13 ASIC’s cost of regulating the subsector in 2022–23 was \$3.0 million. The estimated cost of regulating the subsector for 2023–24 is \$475,597 million: see Table 4.

Table 4: Estimated levies to recover costs to regulate insurance product distributors

Expense	Estimated cost
Supervision and surveillance	\$0.136m
Enforcement	\$1.654m
Other regulatory activities	
<i>Industry engagement</i>	\$0.013m
<i>Education</i>	\$0.012m
<i>Guidance</i>	\$0.002m
<i>Policy advice</i>	\$0.024m
Indirect costs	
<i>Commission, legal services and risk management</i>	\$0.084m
<i>Digital, data and technology</i>	\$0.214m
<i>Corporate support</i>	\$0.081m
<i>Property and accommodation services</i>	\$0.132m
Total operating expenditure	\$2.352m
Allowance for capital expenditure	\$0.034m
Less costs funded by own-source revenue	(\$1.994m)
Adjustment for prior year (under or over recovery)	\$0.084m
Total levy to recover costs	\$0.476m

Risk management product providers

- 14 ASIC’s cost of regulating the subsector in 2022–23 was \$367,809. The estimated cost of regulating the subsector for 2023–24 is \$80,632: see Table 5.

Table 5: Estimated levies to recover costs to regulate risk management product providers

Expense	Estimated cost
Supervision and surveillance	\$0.006m

Expense	Estimated cost
Enforcement	\$0.037m
Other regulatory activities	
<i>Industry engagement</i>	\$0.0001m
<i>Education</i>	\$0.001m
<i>Guidance</i>	\$0.000m
<i>Policy advice</i>	\$0.001m
Indirect costs	
<i>Commission, legal services and risk management</i>	\$0.004m
<i>Digital, data and technology</i>	\$0.011m
<i>Corporate support</i>	\$0.004m
<i>Property and accommodation services</i>	\$0.007m
Total operating expenditure	\$0.072m
Allowance for capital expenditure	\$0.002m
Less costs funded by own-source revenue	(\$0.000m)
Adjustment for prior year (under or over recovery)	\$0.007m
Total levy to recover costs	\$0.081m

Claims handling and settling services providers

15 ASIC's cost of regulating the subsector in 2022–23 was \$5.5 million. The estimated cost of regulating the subsector for 2023–24 is \$7.7 million: see Table 6.

Table 6: Estimated levies to recover costs to regulate claims handling and settling services providers

Expense	Estimated cost
Supervision and surveillance	\$0.998m
Enforcement	\$2.960m
Other regulatory activities	
<i>Industry engagement</i>	\$0.194m
<i>Education</i>	\$0.150m
<i>Guidance</i>	\$0.057m
<i>Policy advice</i>	\$0.160m

Expense	Estimated cost
Indirect costs	
<i>Commission, legal services and risk management</i>	\$0.460m
<i>Digital, data and technology</i>	\$1.199m
<i>Corporate support</i>	\$0.526m
<i>Property and accommodation services</i>	\$0.762m
Total operating expenditure	\$7.466m
Allowance for capital expenditure	\$0.187m
Less costs funded by own-source revenue	(\$0.005m)
Adjustment for prior year (under or over recovery)	\$0.001m
Total levy to recover costs	\$7.650m

Note: Costs include expenses relating to novel relief applications where ASIC is not able to charge a fee.