



## CRIS: ASIC INDUSTRY FUNDING MODEL (2022–23)

This document is part of [ASIC's 2022–23 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 2022–23 to regulate the insurance sector—for our ongoing regulatory activities, see paragraphs 1–8, and for our strategic work, see Table 1;
- the estimated levies to recover our costs—for a summary of the estimated levies for each subsector, see Table 2; and
- more detailed breakdowns of estimated costs for each subsector—see paragraphs 12–16.

The estimated levies are a guide only. The final levies will be based on our actual cost of regulating each subsector in 2022–23.

### 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 to bring about sound consumer and investor 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 We manage, on an ongoing basis, the North Queensland home insurance comparison website. This includes rolling over and renegotiating contracts with the participating insurers.
- 8 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**

- 9 ASIC’s [Corporate Plan 2022–26: Focus 2022–23](#) outlines our strategic priorities for the next four years and our planned actions for 2022–23. The corporate plan also sets out our core strategic projects, which support the delivery of our strategic priorities.
- 10 Our strategic priorities inform our [2023 enforcement priorities](#) which communicate our intent to industry and indicate where we will direct our resources and expertise.
- 11 Table 1 sets out our areas of focus in the insurance sector in 2022–23.

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 (2022–23)**

Focus area	Key actions	Relevant subsector
Financial Accountability Regime (core strategic project)	<ul style="list-style-type: none"> <li>• Developing industry guidance.</li> <li>• Implementing joint capabilities with the Australian Prudential Regulation Authority (APRA) for registration and notification activities under the regime.</li> </ul>	Insurance product providers
Design and distribution obligations (core strategic project)	<ul style="list-style-type: none"> <li>• Conducting targeted surveillance of target market determinations in the insurance sector.</li> <li>• Taking enforcement action to address poor design and distribution of products.</li> </ul>	All insurance subsectors
Breach reporting (core strategic project)	<ul style="list-style-type: none"> <li>• Continuing to closely monitor the operation of the new reportable situations regime to further support industry with the practical implementation of the new obligations.</li> <li>• Working with stakeholders to identify and implement solutions that will improve the consistency and quality of reporting practices, including providing further guidance.</li> <li>• Preparing ASIC’s first report on insights from reportable situations and commencing development of a framework for ongoing publication of information about the reports received—see <a href="#">Report 740 <i>Insights from the reportable situations regime: October 2021 to June 2022</i></a> (REP 740).</li> <li>• Developing enhanced data analytics capabilities to harness the value of the information we receive under the regime to achieve better regulatory outcomes.</li> </ul>	All insurance subsectors
General insurance claims handling	<ul style="list-style-type: none"> <li>• Analysing consumers’ experiences when making home insurance claims (following severe weather and other events) and identifying poor claims handling conduct.</li> <li>• Taking enforcement action against claims handling misconduct.</li> </ul>	Claims handling and settling services providers
General insurance pricing misconduct	<ul style="list-style-type: none"> <li>• Engaging with general insurers in relation to pricing, and reviewing the use of unfair pricing practices (e.g. price optimisation).</li> <li>• Taking enforcement action against pricing misconduct.</li> </ul>	Insurance product providers
Mis-selling	<ul style="list-style-type: none"> <li>• Analysing the risk of inappropriate product design and distribution in the current environment by monitoring: <ul style="list-style-type: none"> <li>– the design and sale of poor-value insurance products;</li> <li>– the use of potentially unfair contract terms;</li> <li>– the distribution practices that may lead to poor outcomes for consumers and may breach the law; and</li> <li>– the mis-selling of unsuitable insurance products.</li> </ul> </li> <li>• Taking swift enforcement action to deter misconduct and punish breaches of the law.</li> </ul>	Insurance product providers, insurance product distributors and risk management providers

Focus area	Key actions	Relevant subsector
Life insurance claims	<ul style="list-style-type: none"> <li>• Testing whether claims practices are causing consumer harm, and using our findings to design an intervention to improve insurers' controls, monitoring and supervision.</li> <li>• Taking regulatory action, including enforcement action where warranted, to address misconduct.</li> </ul>	Claims handling and settling services providers
General and life insurance data	<ul style="list-style-type: none"> <li>• For general insurance, working with APRA to develop and implement a recurrent data collection with an initial focus on the affordability and availability of general insurance.</li> <li>• For life insurance, working with APRA to expand the current six-monthly life insurance claims data collection to include new data points, collect information at a policy and claims level, update ASIC's Moneysmart life insurance claims comparison tool and analyse the data to inform our regulatory activities in the life insurance sector.</li> </ul>	Insurance product providers, claims handling and settling services 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"> <li>• 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>; or</li> <li>• 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</li> <li>• party to the types of arrangements prescribed in reg 72(2) of the <i>ASIC Supervisory Cost Recovery Regulations 2017</i>.</li> </ul>	\$28.041m	106	<p><b>Gross premium and net policy revenue</b></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 \$5.23 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.	\$2.712m	3,452	<b>Flat levy</b>  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	\$786
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.	\$0.103m	73	<b>Number of days authorised</b>  The number of days in the financial year on which the entity held the prescribed AFS licence authorisation.	Not applicable	Not applicable	\$1,518
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.	\$4.834m	329	<b>Number of insurance claims</b>  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 \$0.77 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

- 12 We have provided a breakdown of the costs for each subsector in the insurance sector. We have also included the cost of regulating the subsector in the previous year. For more information about the actual costs for 2021–22, see our [annual dashboard report and summary of variances](#) on our website.

### Insurance product providers

- 13 ASIC’s cost of regulating the subsector in 2021–22 was \$24.3 million. The estimated cost of regulating the subsector for 2022–23 is \$28.0 million: see Table 3.

**Table 3: Estimated costs to regulate insurance product providers**

Expense	Estimated cost
Supervision and surveillance	\$3.412m
Enforcement	\$7.889m
Other regulatory activities	
<i>Industry engagement</i>	\$1.381m
<i>Education</i>	\$0.239m
<i>Guidance</i>	\$0.457m
<i>Policy advice</i>	\$0.248m
Indirect costs	
<i>Governance, central strategy and legal</i>	\$3.360m
<i>IT support</i>	\$2.994m
<i>Operations support</i>	\$2.806m
<i>Property and corporate services</i>	\$3.219m
<b>Total operating expenditure</b>	<b>\$26.006m</b>
Allowance for capital expenditure	\$1.995m
Less costs funded by own-source revenue	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.040m
<b>Total levy to recover costs</b>	<b>\$28.041m</b>

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

## Insurance product distributors

- 14 ASIC’s cost of regulating the subsector in 2021–22 was \$3.1 million. The estimated cost of regulating the subsector for 2022–23 is \$2.7 million: see Table 4.

**Table 4: Estimated costs to regulate insurance product distributors**

Expense	Estimated cost
Supervision and surveillance	\$0.061m
Enforcement	\$2.242m
Other regulatory activities	
<i>Industry engagement</i>	\$0.028m
<i>Education</i>	\$0.006m
<i>Guidance</i>	\$0.009m
<i>Policy advice</i>	\$0.004m
Indirect costs	
<i>Governance, central strategy and legal</i>	\$0.089m
<i>IT support</i>	\$0.072m
<i>Operations support</i>	\$0.070m
<i>Property and corporate services</i>	\$0.082m
<b>Total operating expenditure</b>	<b>\$2.663m</b>
Allowance for capital expenditure	\$0.051m
Less costs funded by own-source revenue	\$0.000m
Adjustment for prior year (under or over recovery)	(\$0.002m)
<b>Total levy to recover costs</b>	<b>\$2.712m</b>

## Risk management product providers

- 15 ASIC’s cost of regulating the subsector in 2021–22 was \$371,446. The estimated cost of regulating the subsector for 2022–23 is \$103,141: see Table 5.



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

Expense	Estimated cost
Supervision and surveillance	\$0.025m
Enforcement	\$0.002m
Other regulatory activities	
<i>Industry engagement</i>	\$0.011m
<i>Education</i>	\$0.001m
<i>Guidance</i>	\$0.004m
<i>Policy advice</i>	\$0.001m
Indirect costs	
<i>Governance, central strategy and legal</i>	\$0.012m
<i>IT support</i>	\$0.013m
<i>Operations support</i>	\$0.013m
<i>Property and corporate services</i>	\$0.013m
<b>Total operating expenditure</b>	<b>\$0.095m</b>
Allowance for capital expenditure	\$0.008m
Less costs funded by own-source revenue	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.103m</b>

### Claims handling and settling services providers

16 ASIC's cost of regulating the subsector in 2021–22 was \$1.2 million. The estimated cost of regulating the subsector for 2022–23 is \$4.8 million: see Table 6.

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

Expense	Estimated cost
Supervision and surveillance	\$0.542m
Enforcement	\$1.135m

<b>Expense</b>	<b>Estimated cost</b>
Other regulatory activities	
<i>Industry engagement</i>	\$0.250m
<i>Education</i>	\$0.046m
<i>Guidance</i>	\$0.084m
<i>Policy advice</i>	\$0.021m
Indirect costs	
<i>Governance, central strategy and legal</i>	\$0.659m
<i>IT support</i>	\$0.563m
<i>Operations support</i>	\$0.532m
<i>Property and corporate services</i>	\$0.612m
<b>Total operating expenditure</b>	<b>\$4.444m</b>
Allowance for capital expenditure	\$0.390m
Less costs funded by own-source revenue	\$0.000m
Adjustment for prior year (under or over recovery)	(\$0.000m)
<b>Total levy to recover costs</b>	<b>\$4.834m</b>

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