



# LEGISLATIVE ASSEMBLY

## FOR THE AUSTRALIAN CAPITAL TERRITORY

### SELECT COMMITTEE ON ESTIMATES 2024-2025

Ms Nicole Lawder MLA (Chair), Ms Suzanne Orr MLA (Deputy Chair),  
Miss Laura Nuttall MLA

### ANSWER TO QUESTION ON NOTICE

Asked By: Mr Andrew Braddock MLA

Addressed to: Special Minister of State

Redirection to:

Reference: SMOS

Hearing Date: 29/07/2024

In relation to: CMTEDD (Treasury) and Cost of becoming an APRA-regulated Insurer

QON lodgement Date: 29/07/2024

Answer Due date: 06/08/2024

What is your current best estimate, regardless of how rough, of the likely investment cost to become an APRA-regulated insurer capable of offering public liability insurance services to the community sector?

**Chris Steel MLA:** The answer to the Member's question is as follows:

Under the *Insurance Authority Act 2005* the ACT Insurance Authority (ACTIA) is the insurer of Territory risk. It is likely that legislative change would be needed to enable ACTIA to provide insurance services to the community sector.

Initially, ACTIA would need to apply for and succeed in obtaining, an Australian Financial Services Licence from ASIC. There would be resourcing costs associated with obtaining this, however these costs cannot be quantified at this time.

ACTIA would then need to consider any other regulatory frameworks, including APRA regulation.

It is not possible to quantify the likely total cost for ACTIA to pursue and maintain an APRA licence. However, there are several activities with associated expenses that would need to occur, including:

- resourcing (including actuarial and legal support) to develop a submission for licencing;

- APRA licencing application and associated fee;
- APRA licencing fee (once license is granted);
- establishment of required systems, policies and governance arrangements to support APRA requirements;
- new financial reporting on an annual and quarterly basis to APRA, in addition to existing Territory reporting requirements;
- appointing an actuary to provide an annual liability valuation and a Financial Condition Report (FCR), with an additional external actuary independent from the appointed actuary to review the FCR, as well as an approved appointed Auditor;
- ongoing additional resourcing from current state to support additional responsibilities of an APRA regulated insurer and to provide end-to-end services for relevant insurance classes;
- potential impact to the Territory's reinsurance program as it would become subject to additional regulations and requirements which may impact the total cost of the program; and
- risk based capital requirements will usually increase for an Australian APRA regulated insurer when compared to a state captive (and other domiciles) arrangement, meaning ACTIA will likely be required to hold higher levels of capital against potential liabilities.

Approved for circulation to the Select Committee on Estimates 2024-2025

Signature:



Date:

6/8/24

By the Special Minister of State, Chris Steel MLA