

Southern Cross Benefits Limited

On 25 May 2015, pursuant to Regulation 14 of the Financial Markets Authority (Levies) Regulations 2012, the FMA granted a waiver of part of the FMA levy to Southern Cross Benefits Limited (SCBL).

Under class 3 of the Regulations, licensed insurers are required to pay a levy based on their annual gross premium revenue. Different levy amounts apply to different tiers of gross premium revenue. FMA has waived the part of the FMA levy attributed to the portion of gross premium revenue from SCBL's Australian business. This reduces the levy payable by \$25,000, as it moves SCBL from the "exceeds \$50 million but does not exceed \$250 million" gross premium revenue levy tier, to the "exceeds \$10 million but does not exceed \$50 million" tier.

The waiver applies to SCBL's 2014 annual confirmation and will continue until the waiver becomes inconsistent with the Regulations.

We believe it is appropriate to waive part of the FMA levy because:

- Due to its structure, SCBL is the only licensed insurer in New Zealand which has its FMA levy calculated based on both its New Zealand and Australian gross premium revenue. Therefore, we believe these are exceptional circumstances for SCBL when compared with the circumstances or characteristics of other licensed insurers in class 3 of the Regulations. This makes it inequitable for SCBL to pay a levy based on its total gross premium income.
- One of the objectives of the FMA levy is that the cost for businesses is consistent with the benefits they receive from a well-regulated financial market. SCBL's Australian business is not regulated by FMA and does not receive any direct benefit from a well-regulated New Zealand financial market. Therefore, the Australian gross premium revenue should be excluded from the calculation of the levy payable by SCBL under class 3 of the Regulations.
- We believe the proportion of the partial waiver is not greater than is reasonably necessary considering the exceptional circumstances or characteristics of SCBL, as it puts SCBL in the same position as other licensed insurers that operate overseas as well as in New Zealand.