

# AFCA Annual Assessment FAQ's

March 2021

All members pay a membership levy. The questions in the assessment are used to calculate the levy payable by a financial services provider for its membership.

## **Which year should I use when I provide my business information in the annual assessment?**

You should provide information for the year ending 30 June 2020, or as at 30 June 2020. This will depend on which question you are answering.

## **The sizing of a member's business changes over the year; how will AFCA take this into consideration?**

The levy is calculated by using data from one consistent point in time for all members. Most members' businesses change over a twelve month period, so AFCA only looks at a change in the size of a business at the next consistent point for all members.

## **What is the definition of a primary financial business or service?**

A primary financial business or service is the main activity that describes your business. If your business is not included in the answer options, select "other" and provide details that best describe your business.

## **What is a representative?**

Representatives include employees, agents and/or independent contractors of a financial services provider who are engaged in the selling, advising and/or distribution of a product or service. A representative does not include those employees who do not provide any of these services (for example, a receptionist, payroll officer etc.).

## **How do I provide information about my company's gross written premium on insurance?**

You will need to answer this question if you are a general insurer or underwriter.

If you are an insurance broker or financial advisor/planner, you do not have to complete this section – go to total income earned on client insurance premiums.

Gross written premium on insurance includes:

- a) Retail General Insurance Policy

- b) Residential Strata Title Insurance Product
- c) Small Business Insurance Product
- d) Medical indemnity insurance product

Further details on the definition of these terms can be found in Section E of the AFCA Rules.

### **What information should I include in the total income earned on client insurance premiums section?**

If your business includes insurance broking and providing warranties, you should include income that your business receives from the premiums such as fees, commissions and brokerage. You should not include the value of the insurance premiums themselves.

### **What information should I include in the annual (in-force) life insurance premiums income section?**

If your business includes being a life insurer, you will need to identify the annual (in-force) life insurance premiums written by your business.

If you are an insurance broker, you do not have to complete this section – go to total income earned on client insurance premiums.

### **What information should I provide in the client loan book size section?**

You should include the size of the client loan book as a result of direct lending to customers by credit providers such as banks and finance companies.

### **What information should I include in the client loans under management section?**

If your business activities include being a:

- mortgage broker, finance broker or mortgage originator, you should provide the total value of the loans you have written in the last 12 months
- mortgage manager or mortgage aggregator, you should provide the total value of the loans you are managing
- debt collection agency, you should provide the total value of the loan book you are trying to collect (whether on behalf of others or where assigned to you).

### **What should I include in the client funds held in deposits section?**

If your business activities include being a deposit-taking institution, you should identify any client funds held in deposits by your business.

### **What information should I include in the client funds under advice section?**

If you are an advisor or dealer such as an accountant, financial advisor/planner, stockbroker or securities dealer, you should provide the total amount of client funds that were handled by your business.

### **What information should I include in the client funds under management section?**

If your business activities include being a fund manager, you will need to identify client investment funds under management.

### **How does the approach to sizing create equitable comparison when there is no common measure of size?**

This approach creates equitable comparison by trying to determine approximately how much revenue a member generates based on the business that is applicable to AFCA. Factors such as funds under management, funds under administration, gross written premium, number of representatives, client loan book size, etc are all used. This approach covers different members across different industries to get an approximate 'proxy' revenue figure for sizing for levying.

### **How has the 'proxy' revenue for the base levy been calculated?**

An actuary was engaged to set up a system to calculate the levy for all members to ensure it is reliable and accurate.

### **Should I include wholesale as well as retail information in the assessment?**

You should provide information about your retail business. This includes products and services that your business provides to individuals and small business that are able to lodge a dispute with AFCA.

A small business is defined as a primary producer or other business that had less than 100 employees at the time of the act or omission by the financial firm that gave rise to the complaint.