

September 20, 2012

## ICA media statement: Insurers are not over collecting on Victorian FSL obligations

Insurers operating in Victoria are fulfilling their legal obligations in collecting the Fire Services Levy for the Victorian Government and deny they are over collecting.

The Insurance Council of Australia (ICA) has supported the Victorian Government's decision to implement the recommendations of the 2009 Victorian Bushfires Royal Commission and abolish insurer statutory contributions to the fire services, and replace them with a property charge from July 1, 2013. The ICA understands this was a bipartisan position.

However, insurance companies are still required to meet their statutory obligations to the fire services and must collect the required amount from their policyholders up to June 30, 2013.

The ICA points out that the FSL collected in the 2012-2013 fiscal year funds the fire services for that year alone, and not for the 2013-14 fiscal year, which is when the new property-based charge will take over funding Victoria's fire brigades. Therefore, double-dipping is not taking place and consumers are not being taxed twice overall.

The amount insurers seek to recover from policyholders is designed to match their FSL obligations. However, how those obligations are collected is an individual commercial decision for insurers. Neither the Insurance Council nor the Victorian Government mandates the method or the amount to be collected from policyholders. Unlike GST or stamp duties, a policyholder's FSL is not a fixed statutory rate.

The ICA has received assurances from its member companies that they will collect only the amount they estimate is required by the Victorian Government.

At present the fire services levy typically adds about 20 per cent to the base premium of the average Victorian metropolitan home and contents policy, and 35 per cent to regional household policies. Moving to a property-based charge is fairer and results in all property owners, rather than only those who purchase insurance, contributing to the fire services.

Policyholders can shop around for the best deal on all aspects of their insurance premium, including the FSL. With more than 90 licensed insurers in Australia, the market is highly competitive.

The ICA notes that Professor Allan Fels will serve as the independent Fire Service Levy Monitor to oversee the transition to the property-based levy. The industry supports the disclosure and transparency of information and looks forward to working with Prof. Fels and Victorian agencies during the FSL transition period.