

Tuesday December 18, 2018

ACCC Northern Australia Insurance report urges focus on tax reform

The Australian Competition and Consumer Commission's Northern Australia Insurance Inquiry first interim report is the latest inquiry to recommend tax reform as a vital step towards improving insurance affordability.

Insurance Council of Australia CEO Rob Whelan said the report, released this morning, called on the Queensland, Northern Territory and Western Australian governments to abolish stamp duties on home, contents and strata insurance products.

He said ICA research showed stamp duties in addition to GST meant WA and NT householders were paying 21 per cent in taxes on their insurance products and Queenslanders were paying 19.9 per cent.

"The ACCC puts tax reform at the top of its recommendations for improving insurance affordability in northern Australia," he said.

"This yet again confirms the recommendations of many other inquiries including the Henry Tax Review, the Northern Australia Insurance Premiums Taskforce, the Bushfires Royal Commission and various state government inquiries.

"The question for all state and territory governments, with the exception of the ACT, is: 'Why persist with stamp duties and levies on insurance when the evidence shows they are unfair and inequitable?'

"Scrapping these stamp duties would slice many hundreds of dollars off the final price customers in northern Australia pay for their insurance."

Mr Whelan said the industry appreciated the strong engagement of local community members during the ACCC's public hearings and the ICA's series of 12 public information meetings held across north Queensland and in Broome over the past two months.

"The insurance industry is listening to the concerns of the residents of Northern Australia and is actively engaged with all levels of government and other stakeholders to improve insurance outcomes," he said.

Mr Whelan said the ACCC report also reiterated the key findings of the three Australian Government Actuary investigations into insurance in northern Australia.

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He said the ICA supported ACCC findings that:

- High risks in northern Australia were the primary reason for higher premiums
- Though financial performance had improved it remained poor compared with the rest of Australia
- Many insurers continued to operate at a loss in northern Australia over recent years
- Insurers were not using premiums in Northern Australia to subsidise other regions
- Costs had increased over the past decade at a greater rate than the rest of Australia
- Claims were also much more frequent and larger than the rest of Australia, in particular in strata
- Mitigation can improve affordability

Mr Whelan said the general insurance industry was already acting on other findings and recommendations, and the ICA supported the ACCC's five focus areas for next year. He said:

- The ICA's work on effective disclosure was focusing on practical ways that insurers could help customers through the purchasing process to ensure they better understood the products they were buying
- Many insurers were starting to factor in property-level mitigation and resilience investments in premium calculations
- The ICA was in discussions with Treasury on a range of disclosure-related issues including the need to establish standard definitions
- The ICA has been in long-running discussions with ASIC about the impact of the General Financial Advice provisions on the discussions that insurers can have with customers, and the industry is keen for change in this area

Mr Whelan said the ICA and individual member companies would review and respond to the interim report, and contribute to the ACCC's ongoing investigation as required.

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