



News release

Insurance Council
of Australia

Friday 21 May 2021

ICA welcomes Victorian bushfire funding but warns insurance taxes ‘unsustainable’

The Insurance Council of Australia (ICA) today welcomed the Victorian Government’s Budget announcement of \$517 million to be allocated across several bushfire risk reduction projects, but said the projected growth in taxes on insurance were unsustainable and meant Victorians would continue to be underinsured or not insured at all.

The projects announced as part of the Budget to improve communication, land management, infrastructure and bushfire emergency response are positive investments to reduce the future impact of bushfires on communities and property owners.

The ICA and insurers have been calling for increased investment in resilience and mitigation measures for more than a decade, and both the Morrison and Andrews Governments have responded positively with significant funding as part of the 2021-22 Commonwealth and Victorian Budgets.

The Federal Government’s allocation of \$1.2 billion over five years to improve Australia’s capability to prepare for, respond to, and recover from natural disasters and now the Victorian Government’s \$517 million investment in bushfire specific resilience initiatives will protect communities vulnerable to the impact of extreme weather and natural disasters.

This welcome news is tempered, however, by the Victorian Budget’s projections that revenue from insurance stamp duty will increase by almost one third over the budget estimates, rising 29 per cent from \$1.517 billion in 2020-21 to \$1.959 billion in 2024-25.

Quote attributable to ICA CEO Andrew Hall:

Insurers have been calling for some time for this scale of investment in resilience and mitigation measures, and it’s pleasing to see the Victorian Government has heard those calls.

More resilient communities, businesses, and households mean less disruption to life and faster recovery after a major natural disaster.

However, the effectiveness of this welcome budget measure is tempered by the Treasurer’s own projections that stamp duty on insurance will rise by 29 per cent over the forward estimates to almost \$2 billion.

Stamp duty on insurance is a retrograde revenue measure that numerous inquiries and reviews have found leads to household underinsurance or non-insurance.

It’s disappointing that not only does this Budget fail to reform this problem, in fact the budget papers show an increasing reliance on insurance stamp duty.

The ICA urges all state and territory governments to advance tax reform and remove stamp duty on insurance products to increase insurance affordability for all Australians.