



News release

Insurance Council
of Australia

Wednesday 23 June 2021

NSW bushfire funding welcome, but insurance taxes remain

The Insurance Council of Australia (ICA) has welcomed additional funding of \$268 million in the New South Wales State Budget to continue implementation of the recommendations of the NSW Independent Bushfire Inquiry, but said the failure to address insurance taxes meant many homeowners would remain without adequate cover of their most important asset.

The \$268 million to be expended in the 2021-22 Budget is part of a \$460 million package begun last year. Since the devastating 2019-20 bushfires insurers have paid out in excess of \$5.6 billion in claims related to natural disasters in New South Wales.

While the quantum to be spent on mitigation against future natural disasters is not known at this point, the ICA welcomes the increased investment which adds to significant support contained in the recent Federal and Victorian budgets.

This new funding is tempered, however, by the failure of the New South Wales Government to reform state insurance taxes which remain the highest in the country.

In addition to imposing stamp duty on every policy purchase or renewal, New South Wales is the only mainland state that taxes insurance policyholders to fund fire and emergency services and policyholders pay almost three times more in state insurance taxes than Victorians (see table).

The ABS Household Expenditure Survey showed that the Victorian rate of household non-insurance is seven per cent compared to 13 per cent of households non-insured in NSW.

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 good to see the New South Wales 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 new investment is lessened by the failure to reform taxes and levies on insurance in New South Wales, which remain the highest in the country.

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

The Treasurer should seize the opportunity afforded by his proposed changes to property taxes to remove these taxes which are barriers to appropriate levels of insurance cover for New South Wales households and businesses.

	Premium Cost	ESL (State)	GST (Federal)	Stamp Duty (State)	Total Cost	Total State Taxes	Total Taxes
NSW	1000	180	118	116.82	1414.82	296.82	414.82
Victoria	1000	-	100	110	1210	110	210