



# News release

Insurance Council  
of Australia

Tuesday, 19 September 2023

## Resilience funding welcome but tax reform still needed

The Insurance Council of Australia (ICA) today welcomed funding in the 2023-24 New South Wales State Budget to support flood affected communities and improve disaster resilience, but said the hard work to reform insurance taxes and bring down the cost of insurance must be dealt with in future budgets.

New South Wales has the highest rate of insurance taxes in the country with insurance customers hit with both Stamp Duty and the Emergency Services Levy (ESL), meaning New South Wales insurance customers pay 20 to 40 percent in state taxes on top of their premium.

The Budget Papers show that the Government expects to collect \$11.9 billion from insurance customers over the forward estimates – \$5.1 billion through the ESL and \$6.8 billion through stamp duty – which is around \$1 in every \$15 of all forecast tax revenue over the next four years.

New South Wales is the only mainland state to still tax insurance customers to fund emergency services, with numerous reports and reviews by past governments calling for the tax to be abolished.

Funding in the Budget for initiatives to reduce risk and improve disaster resilience is necessary and welcome.

This includes a new \$150 million Community Restoration Flood Fund to support disaster impacted communities in the Northern Rivers and Central West and funding for timely and accurate hazard warnings, early warning systems for fires and floods, bushfire season hazard reduction teams, restoration of roads and delivery of housing in disaster-impacted areas, and deployable internet and mobile phone coverage during and after disasters.

With the Hawksbury-Nepean floodplain Australia's largest unmitigated flood risk, the Government's focus on housing affordability and construction of new homes must account for extreme weather risk in development planning to ensure residents of new housing in Western Sydney and across the state are not placed in harm's way.

Quotes attributable to Insurance Council of Australia Acting CEO Kylie Macfarlane:

Last year's flood emergency taught New South Wales a hard lesson about disaster preparedness, and funding in today's Budget for risk reduction and disaster recovery is welcome.

But the best way to improve disaster resilience is to improve insurance coverage, and today's Budget is a missed opportunity to progress much needed reform of insurance taxes in New South Wales.

A report released by the ICA in the lead-up to this year's State election found that home insurance customers in New South Wales would see a reduction of around 15 per cent in their annual premium costs if the ESL was removed and a fairer way was found to fund emergency services.

The report found that because of the ESL, New South Wales insurance customers are paying nearly three times the amount of state taxes than Victorian insurance customers contributing to an estimated 13 per cent of NSW households being uninsured – double the rate in Victoria.

While the focus on new housing is welcome, it is incumbent on all governments to take practical steps to end development on floodplains to keep people out of harm's way.