



Insurance Council
of Australia

13 December 2023

Tasmania Fire and Emergency Service Bill
GPO Box 123
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Via email: FES.Reform@dpfem.tas.gov.au

Submission to the Draft Tasmania Fire & Emergency Service Bill and Funding Options Paper

The Insurance Council of Australia (ICA) welcomes the opportunity to provide a submission to the Draft Tasmania Fire & Emergency Service Bill and Funding Options Paper.

The ICA is pleased to see this reform progressing and acknowledges the steps taken by the Tasmanian Government to abolish the levy on insurance and find a fairer way to fund fire and emergency services.

Introduction

The ICA is the representative body for the general insurance industry of Australia. Our members represent approximately 85 per cent of total premium income written by private sector general insurers, spanning both insurers and reinsurers. Our work with our members, consumer groups and all levels of government serves to support consumers and communities when they need it most.

A foundational underpinning of the Australian economy, the general insurance industry employs approximately 60,000 people, generates gross written premium of \$69.1 billion per annum and on average pays out \$159 million in claims each working day (\$39.4 billion per year)

The cost of insurance is increasing, including for Tasmanian businesses

At the end of the 2021-22 financial year, there were approximately 42,600 businesses in Tasmania, of which 97 per cent were small businesses.

While the ICA does not have data on how many businesses in Tasmania have insurance, we know that the cost pressures of running a small business have increased over the last few years.

Small and medium-sized businesses are doing it tough on the back of increased severe weather events, COVID-19 impacts and the current inflationary environment, as well as continuing supply chain disruptions, skills shortages, and cyber risks.

Like many other goods and services, the cost of insurance has been impacted by these factors, making it more challenging for businesses to take out the cover they need and therefore widening the protection gap, which is the difference between the cost of a potential event and the insurance in place to cover that event.

The affordability and availability of insurance is a critical issue for our economy and while there's no one silver bullet, a key lever to improve availability and affordability for businesses is the removal of state-based taxes and charges on insurance.

The funding of Tasmania's fire and emergency services is unfair

The ICA welcomed the Tasmanian Government's announcement to abolish the Insurance Fire Levy charged on business insurance policies.

The levy has historically contributed to the funding of the State Fire Commission (SFC) to fund fire services and emergency management programs in the State. However, such levies and taxes have been criticised by successive reviews as unfair and distorting consumer behaviour, particularly given that not all Tasmanian policyholders are contributors.

Of those policyholders who do contribute, not all contribute equally as the levy is imposed on insurance policies at different rates.

The levy is imposed on a diverse range of commercial insurance policies, but with a bias towards those who prudently seek financial protection against the risk of damage to their assets by fire. Commercial businesses who insure their business premises against the risk of fire face the top levy rate, increasing their premiums by 28 per cent.

Once GST and stamp duty are added on top of the levy, this adds up to a tax burden of 54 per cent in taxes on top of the premium charged by the insurer.

The Tasmanian Government must continue its reform agenda

The Insurance Fire Levy is a drag on the Tasmanian economy and reform is needed now to lower premiums for businesses and help close the protection gap.

This much needed reform will help deliver a more transparent, efficient, and equitable fire services funding model and is an initiative long called for by insurers and the broader business community.

The responsibility for funding these vital services should be shared by the entire community, not through an impost on those businesses who purchase insurance.

This change will lead to improved insurance affordability and will encourage more businesses to insure their assets at a time when appropriate cover is needed more than ever.

Funding Options and TFES Working Group

The ICA acknowledges the funding model options put forward by the Tasmanian Government and has accepted the invitation to become a member of the TFES Working Group to help ensure to right funding model is adopted.

At this point the ICA does not have a position on the design of a replacement model for funding Tasmanian fire and emergency services, but strongly supports the Tasmanian Government's approach in transferring their fire funding arrangements away from taxes on insurance to a broader and fairer tax base.

This approach is line with other jurisdictions across Australia. In 2013, the Victorian Government abolished its Fire Services Levy and in November 2023, the New South Wales Government announced its intention to abolish the Emergency Services Levy on insurance policies. New South Wales and Tasmania are the last remaining jurisdictions that fund emergency services through a levy on insurance policies, increasing premiums for those who choose to protect themselves.



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The ICA looks forward to participating in the Fire and Emergency Services Working Group and helping to find a fairer way to fund Tasmanian fire and emergency services.

Regards

A handwritten signature in black ink, appearing to read 'Andrew Hall'.

Andrew Hall

CEO & Executive Director