Insurance Council of Australia

News release

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State-run insurance would expose Tasmanians to financial risk

The announcement by the Tasmanian Liberals to establish a state-owned insurance company would put significant financial risk onto the public balance sheet while failing to do anything about the underlying causes of insurance pricing, the Insurance Council of Australia said today.

The proposal would transfer risk from a functioning private market onto the public purse, exposing Tasmanians to the cost of recovering from significant extreme weather.

The Australian private insurance market provides a $40 billion capital injection from global reinsurance markets annually, supporting economic recovery in the wake of disasters.

Government-backed insurance schemes, where premiums are heavily subsidised, shift this disaster risk onto the taxpayer.

Approximately 98 per cent of Tasmania's land area is designated as bushfire-prone, and a strong private insurance safety net is critical for Tasmanians to manage future risk.

If the 1967 Black Tuesday bushfires were to happen today it would cost $4.1 billion in insured losses, which under current arrangements would be underwritten by the private sector.

There are numerous examples from around the world where governments have transferred insured risks onto the public purse resulting in perverse economic and financial outcomes for taxpayers.

The United States National Flood Insurance Program has left the US Federal Government with more than US$20 billion in unfunded ageing debt, even after the Government forgave US$16 billion in debt to make it possible for the program to pay claims in the wake of a severe hurricane season in 2017.

The most immediate way the next Tasmanian Government can improve insurance affordability is to abolish stamp duty and the Fire Services Levy (FSL) on insurance products, which would provide quick and targeted relief for families and businesses.

In 2024-25, the government collected more than $150 million in insurance taxes from Tasmanians, after failing to reform the FSL in its previous term.

Over the four years from 2024-25, Tasmanians are expected to pay $631 million in state-based insurance taxes.

The next Tasmanian Government can take further steps to improve insurance affordability by investing in risk reduction to better protect properties against increasingly intense and frequent extreme weather.

Quotes attributable to ICA General Manager Public Affairs, Mathew Jones:

> This proposal poses significant financial risk to Tasmanian taxpayers.
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> Overseas examples show that taking risk on to the public balance sheet is a bad idea, particularly when that risk is expected to grow as a result of climate change.
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> To address the issues underlying insurance pricing government and industry must work together.
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> The insurance industry is committed to progressing this issue in good faith with the next Tasmanian Government.

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