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The Director
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Insurance Australia Group (**IAG**) welcomes the opportunity to make a submission to the Tasmanian Government's consultation relating to the Blake Fire Service Act Review and the Treasury and Finance Options Paper – *Fire Services Funding Arrangements*.

IAG appreciates significant work has already been undertaken through the Blake Fire Service Act Review and the previous work undertaken by the House of Assembly Standing Committee Inquiry into the State Fire Commission (SFC).

Our purpose is to make your world a safer place. We recognise that our role extends beyond transferring risk and paying claims. Our purpose drives our business to work collaboratively with the community to understand, reduce and avoid risk, and to build resilience and preparedness.

IAG has been a strong advocate for improved taxation bases and taxation reform that see revenue dependency shift from transaction style taxes (for example insurance) towards those taxes that are more efficient. IAG believes the current regimes for the taxation of insurance are inconsistent upon the generally accepted taxation principles of simplicity, efficiency and equity. These tax regimes are inappropriate, regressive and based on historical circumstances rather than equity.

IAG notes the Blake Fire Service Act Review highlighted in relation to insurance the levy is collected by insurance companies through a levy on premium income for certain prescribed classes of business insurance. The levy differs depending on the type of insurance, with the amount added to insurance premiums varying from 2% to 28%.

Importantly, the Review noted when considering the continuation of this levy:

- “This levy currently represents more than 25% of SFC revenue.
- It is only paid on certain classes of business insurance.
- It is not paid by entities that are insured by mutual insurers.
- This levy can have unintended consequences, including under-insured properties and, in some cases, property holders paying more than one levy.
- While there are provisions in the Fire Service Act under which the SFC may conduct audits of insurers to ensure the correct levies are always charged, in practice this is not done and it is probably unrealistic to think that it would be.
- The collectible amount is not predictable.
- This levy does not satisfy any of the sustainability, stability, simplicity or equitable tests.”

The Review also noted several Government inquiries, and reviews have concluded that funding fire and emergency services through an insurance levy is inefficient and unfair.

IAG believes the current funding model for fire and emergency services in Tasmania is a poorly targeted mechanism for distributing the cost of fire and emergency services. The system is inequitable because:

- it fails to collect from those who are not insured or are underinsured despite both groups having equal access to fire and emergency services; and
- there is no correlation between the levy amount collected and the frequency of emergency services callouts. This reflects the fact that the levy is imposed on the total insurance premium, which includes the full range of perils.

A broad-based property levy

The 2020 New South Wales Government's Review of Federal Financial Relations found that: "a broad-based property levy is a far more efficient approach: it makes insurance more affordable and ensures all property owners contribute to funding fire and emergency services. By including uninsured properties and reducing the contribution required from insured properties, it can in principle be fairer as well". The New South Wales Government continues to consider the recommendations of the Review.

IAG believes a broad-based property levy is the most equitable and efficient funding option and should replace the current funding regime. The key disadvantage of the current fire and emergency services funding regime is that it imposes an unfair burden on people who protect their property, businesses and possessions by insuring them. A fairer system would see all property owners pay for these services, spreading the burden equitably.

Other States (except for New South Wales) have moved away from an insurance-based funding model to a property-based funding to redress inequity, improve economic efficiency and correct consumer behaviour issues posed by the underinsured and uninsured.

IAG contends that Tasmania is well placed to build on the experience and funding models of other States to ensure that fire and emergency services are funded in an equitable, transparent and sustainable way.

If you have any questions or require any further information, please do not hesitate to contact David Wellfare, Executive Manager, Public Policy & Industry Affairs on (02) 9292 8593 or David.Welfare@iag.com.au

Yours sincerely



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