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## Insurers urge Queensland to reconsider stamp duty rise

The Insurance Council of Australia today urged the Queensland Government to reconsider plans to increase stamp duties on general insurance products by 1.5 percentage points.

Mr Rob Whelan, Chief Executive of the Insurance Council of Australia, said the mooted stamp duty rise was unfortunate and would add to Queenslanders' cost of living by forcing up the price of insurance.

He said the reported rise from 7.5 per cent to 9 per cent, taking effect from August 1, could increase the level of underinsurance and non-insurance in Queensland, especially in areas regularly exposed to cyclones and floods.

"Stamp duties are inequitable, highly inefficient and unfair. An increase in stamp duties would be a counterproductive decision that would only exacerbate the financial pressure many Queenslanders are experiencing with the cost of insurance and other household expenses," Mr Whelan said.

"You cannot improve insurance affordability by increasing insurance costs. Underinsurance and non-insurance are not desirable, especially with so many communities still recovering and rebuilding from the series of natural disasters that struck Queensland in 2011, 2012 and 2013."

Mr Whelan said the recent increases in insurance prices had reflected the levels of risk and soaring cost of claims and demonstrated the need to maintain adequate insurance cover, particularly in areas subject to extreme weather events such as tropical North Queensland.

"The Queensland Government should leave stamp duties at their current levels and find alternative means to fund the important social initiative of the NDIS," he said.

Mr Whelan said any rise in stamp duties ran counter to the recommendations of numerous inquiries and reports that recommended state governments remove taxes on insurance.

In March, the Productivity Commission noted state taxes and levies on general insurance constituted a barrier to effective adaptation to climate change, and recommended they be phased out and replaced with less distortionary taxes.

Similarly, the Henry Tax Review, the Perrett Inquiry and the Natural Disaster Insurance Review all called for state insurance taxes to be eradicated.

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“Unfortunately, a state tax reform plan being developed by the treasurers of NSW and South Australia for presentation to the Council of Australian Governments seems to have stalled,” he said.

“Tax reform, investments in mitigation, better land-use planning and upgrading building codes are all measures governments can take to reduce the pricing pressures on insurance.”