

15 January 2010

Johnson Report Recommendations Strongly Supported

The Insurance Council of Australia has today welcomed the recommendations of the Australian Financial Centre Forum's report on *Australia as a Financial Centre* (the Johnson report).

The Insurance Council strongly supports the Johnson Report recommendation to “*remove state insurance taxes and rationalise regulations*” because it draws much needed attention to the handicap that state insurance taxes place on the efficiency and competitiveness of the general insurance industry.

On behalf of its members the Insurance Council has undertaken significant economic modelling work¹ which demonstrates the very real case for removing State insurance taxes. It shows how these inefficient State taxes unreasonably burden insurance consumers with additional costs making general insurance products less affordable.

As a result of state insurance taxes there is a detrimental impact on consumers taking out general insurance premiums in order to take individual responsibility for their own risk.

The Johnson report also demonstrates the benefits of a single national regulatory system for general insurance.

The Insurance Council supports this goal noting that it will require a significant and long term commitment to examine and appropriately consider the requirements of harmonisation of different State and Territory statutory insurance schemes, such as Workers' Compensation.

The general insurance industry looks forward to working with the Federal Government as it develops its response to the Johnson Report's recommendations and strongly urges the Government to ensure that its response is in the interests of enhancing competition and efficiency in the general insurance industry.

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¹ Tooth & Barker, 'The Non-insured: Who, Why and Trends' prepared for the Insurance Council of Australia, May 2007; Tooth, 'An Analysis of the Demand for House and Contents Insurance in Australia: A report for the Insurance Council of Australia.' (available at www.insurancecouncil.com.au)