

Thursday August 27, 2015

\$36 billion reasons to axe state insurance taxes

Abolishing state and territory taxes on insurance will enable Australians to protect their homes and household assets to the tune of an extra \$36 billion, according to research released today by the Insurance Council of Australia (ICA).

The research shows hundreds of thousands of households would be more likely to increase their insurance cover, or start buying insurance, if taxes and levies were removed.

ICA CEO Rob Whelan said the research demonstrated Australian property owners and renters would take out more insurance if these taxes were removed, protecting an extra \$36 billion in home and contents assets.

"It reinforces the findings of numerous government and independent reports that conclude state taxes on insurance are unfair, inefficient and regressive, and serve as a disincentive for many households to be properly insured," Mr Whelan said.

"When households lack proper insurance cover, the burden of repairing their lives when something goes wrong, such as a natural disaster, falls to governments and community groups. Governments spend hundreds of millions of dollars every year on disaster recovery.

"If governments remove these taxes, more Australians will be protected by their insurance. The message to State and Federal Treasurers is simple: Be farsighted, and help your communities by removing taxes on insurance."

The research, *Analysis of Demand for Home and Contents Insurance*, was undertaken by Dr Richard Tooth of Sapere Research Group and published on the ICA's website today.

Dr Tooth concludes: "If state taxes on insurance premiums were removed there would be a significant increase in the take-up of house and contents insurance and increases in the spending on insurance."

The key findings include:

- Almost a quarter of a million more householders (242,000) would choose to take out home contents insurance if the cost of premiums was not artificially inflated by state government stamp duties and levies. This represents a 10 per cent reduction in the number of households without contents insurance
- 38,400 householders would opt for the peace of mind provided by home (building) insurance if government stamp duties and levies were removed. This represents a 22 per cent reduction in the number of households without home (building) insurance
- If stamp duties were removed from home (building) insurance the total value of pre-tax premiums held by insurers would increase by 13 per cent (\$643 million) to \$5.523 billion. This means more householders would be taking out more appropriate levels of insurance, or alternatively because insurance is more affordable they would increase their level of cover.

-MORE-

Thursday August 27, 2015

-CONTINUED-

Based on this research, the ICA has found that if state and territory governments abolished stamp duties and levies on insurance products, national asset protection against home contents losses could be improved by \$20 billion, and by almost \$16 billion for home (building) insurance.

Mr Whelan said the abolition of inefficient taxes and levies would deliver massive and immediate community benefit.

Only the ACT is acting on tax reform, phasing out its insurance stamp duties by 2015-16, though Victoria removed its fire services levy on insurance in 2014.

Mr Whelan said the potential \$36 billion increase in national home and contents protection would represent a 1.4 per cent increase in the current national home and contents insurance pool, which sat at \$2671.6 billion on June 30, 2015.

-ENDS-

Supporting Document

[*Analysis of Demand for Home and Contents Insurance*](#)

Thursday August 27, 2015

BACKGROUND INFORMATION

Impact of state taxes and levies on home (building) insurance premiums

	Average premium	ESL of 20%	GST	Stamp duty	Total state taxes	State taxes as % of base premium	Total cost to insured
NSW	\$744	\$149	\$89	\$88	\$237	31.9%	\$1,070
VIC	\$558		\$56	\$61	\$61	11.0%	\$675
QLD	\$986		\$99	\$98	\$98	9.9%	\$1,182
SA	\$517		\$52	\$63	\$63	12.1%	\$631
WA	\$685		\$69	\$75	\$75	11.0%	\$829
TAS	\$563		\$56	\$62	\$62	11.0%	\$681
ACT	\$670		\$67	\$15	\$15	2.2%	\$752
NT	\$1,096		\$110	\$121	\$121	11.0%	\$1,326

Impact of state taxes and levies on home contents insurance policies

	Average premium	ESL of 20%	GST	Stamp duty	Total state taxes	State taxes as % of base premium	Total cost to insured
NSW	\$338	\$68	\$41	\$40	\$108	31.9%	\$486
VIC	\$275		\$28	\$30	\$30	11.0%	\$333
QLD	\$363		\$36	\$36	\$36	9.9%	\$435
SA	\$289		\$29	\$35	\$35	12.1%	\$353
WA	\$310		\$31	\$34	\$34	11.0%	\$375
TAS	\$295		\$30	\$32	\$32	11.0%	\$357
ACT	\$360		\$36	\$8	\$8	2.2%	\$404
NT	\$494		\$49	\$54	\$54	11.0%	\$598

Stamp duty on insurance collected by state and territory governments in 2013-14*

	\$M
NSW	2325
VIC	893
QLD	774
SA	383
WA	611
TAS	67
ACT	52
NT	44

* ABS government taxation data