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INSURANCE BROKERS SUPPORT CALL FOR ACTION ON AFFORDABILITY

Insurance brokers have supported calls for the New South Wales and Victorian governments to urgently review their reliance on insurance premium taxes as the true extent of non-insurance in the community becomes tragically clear.

The National Insurance Brokers Association (NIBA), which represents the professional intermediaries who handle nearly 90% of the commercial insurance business transacted each year, says estimates by insurers show as many as one a third of the houses destroyed in the Victorian bushfires were not insured.

"Insurance must be affordable to be effective, yet state government taxes place a simple product like home and contents cover into the 'too expensive' basket for many people," NIBA Chief Executive Noel Pettersen said this morning.

Mr Pettersen said the Victorian and New South Wales governments collect 75% of the budget for their fire services from insurance premiums. "GST is added on to the total cost of the premium and the fire services levy," Mr Pettersen said.

"Then they add up the total and put state stamp duty on top," Mr Pettersen said. "It's a process designed to extract the maximum possible in taxes and adds a significant amount – up to 50% in the case of regional Victorian householders – to the total bill."

From July 1 a further State Emergency Service levy on premiums is being applied by the NSW Government. This will again increase the NSW stamp duty tax as well.

"Insurance isn't a sin. They shouldn't be able to tax insurance at the same rate they do alcohol, or tobacco or gambling," Mr Pettersen said. "The Victorian bushfires have made it very clear just how bad the situation has become, and affordability is a major factor."

Mr Pettersen said the two governments shouldn't wait for the bushfire royal commission to examine the insurance taxes issue.

“There’s abundant evidence from other states which have transferred the cost of fire services on to other sources like property rates. Insurance becomes much more affordable for ordinary Australians if it’s free of the fire services levy.

“It costs as little as \$1.00 per day for home insurance in rural Victoria but insurance taxes penalise policyholders and demand no contribution from those in the community who don’t insure. It’s a ridiculous and unfair situation and it must change urgently for the economic wellbeing of the community.”

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For further information contact Noel Pettersen on 02 9459 4305 or go to www.niba.com.au/tax

NIBA is an independent industry association representing 500 firms and more than 2600 intermediaries, who handle almost 90% of the commercial insurance transacted in Australia. Brokers play a major role in insurance distribution, handling \$10 billion in premiums annually and placing around half of Australia’s total insurance business.