

Department of Police, Fire, and Emergency Management
Hobart TAS 7001
Via email: FES.Reform@dpfem.tas.gov.au

Friday 1st December 2023

NIBA Submission: Tasmania Fire and Emergency Service Bill 2023

About NIBA

NIBA is the peak representative body for the intermediated general insurance industry. NIBA represents approximately 450 member firms and 9,000 individual brokers, including large, multinational insurance brokers, Australian broker networks, and small to medium-sized businesses located in cities and regional areas around Australia.

NIBA aims to promote the role of insurance brokers and the role they play in supporting and advising their clients on risk and insurance matters. NIBA provides this knowledge and expertise to governments and government agencies to promote understanding of the operation of general insurance markets.

Insurance brokers represent the interests of the purchasers of insurance policyholders and not those of insurance companies. Consequently, comments made by NIBA are made on behalf of its members and the public that purchases general insurance, not on behalf of insurers.

Introduction

The National Insurance Brokers Association (NIBA) welcomes the opportunity to provide feedback on the draft *Tasmania Fire and Emergency Service Levy Bill 2023*. As the frequency and severity of natural disasters increase due to climate change it is vital that state fire and emergency services are funded in a sustainable manner that will ensure the future needs of these vital services are met.

Previous reviews have highlighted the inherent inequalities and inefficiencies present within the current model; mainly that the current insurance-based levy is unfair, inefficient and lacks transparency. NIBA commends the Tasmanian government for taking steps to address the issues identified by the Blake Review through the introduction of the *Tasmania Fire and Emergency Service Levy Bill 2023*.

NIBA supports the introduction of a property-based funding model as the fairest and most efficient model for funding state fire and emergency services as it shares the cost of funding these services across the broadest range of beneficiaries. Insurance-based levies have been widely criticised for being unfair, forcing responsible property owners to pay for a service that is beneficial to all of society, whilst those who are not required to contribute continue to receive the benefits. Under the existing model businesses who also own their premises are required to pay both the Fire Service Contribution on their council rates and the Insurance Fire Levy on their insurance premiums for the same property.

Insurance premiums for many small businesses have increased significantly over the past few years. This has resulted in an increase in the Fire Service Levy paid by businesses, as well

as increases in the amount of stamp duty and GST paid on the total premium. Since the 2020/21 financial year, insurance duties collected by the government has increased from \$107.4 million to \$130.5 million. Analysis included in budget papers largely attributes this increase to higher premiums and not to increases in the contribution base.

In addition to this, businesses are also facing increases in operational costs including labour, utilities, and goods. For many small businesses these increasing pressures have forced them to increase prices, reduce expenditure on wages, or close entirely. Many businesses have reported increasing excesses and/or reducing the sum insured value below optimal levels to alleviate some of the financial pressure, impacting the business's ability to recover from natural disasters and increasing reliance on ex-gratia government support.

Due to the unpredictable nature of the insurance market, the amount raised by the Insurance Fire Levy varies each year. While the insurance industry is currently experiencing hard market conditions, which have resulted in higher than typical premiums and higher than forecasted insurance fire levy collections these conditions will inevitably ease, with premiums decreasing as a result. As the Insurance Fire Levy is a fixed percentage of premium, this decrease in premiums will be accompanied by a decrease in the amount raised by the levy, reducing the funding available.

The artificial inflation of premiums caused by these taxes acts as an incentive for policyholders to seek out alternative risk transfer arrangements, such as mutual pools and captive insurance, which do not attract the levy. NIBA members have reported an increase in the number of commercial clients seeking out these types of arrangements in order to reduce premiums.

NIBA notes the government's recent announcement of the formation of a working group to revisit the proposed funding model. As the peak representative body for the insurance broking industry, NIBA would welcome the opportunity to provide input as part of the working group to ensure an equitable and sustainable funding model that meets the future needs of state fire and emergency services.

Should you have any queries or wish to discuss any aspect of this submission, please don't hesitate to contact me or my office.

Yours sincerely,



Philip Kewin
Chief Executive Officer
National Insurance Brokers Association