

6 December 2021

The Secretary
Department of Police, Fire & Emergency Management
Tasmanian Government
GPO Box 308C
HOBART TAS 7001

By email: act.review@fire.tas.gov.au

Dear Secretary

Consultation for a contemporary new Fire Service Act and Treasury Options Paper – Fire Service Funding Arrangements

Suncorp welcomes the opportunity to respond to the Tasmanian Government's *Consultation for a contemporary new Fire Service Act (FSA Consultation)* and the *Treasury Options Paper – Fire Service Funding Arrangements (Options Paper)*.

Through our banking operations and our trusted insurance brands such as AAMI, GIO, Suncorp Insurance, Apia and Vero, Suncorp provides banking and insurance solutions to almost nine million customers across Australia and New Zealand. Our purpose – building futures and protecting what matters – guides us as we continue to build a sustainable and responsible financial services group that helps our customers, people, our shareholders and their communities to prosper.

As a provider of insurance to Tasmanian businesses through our Vero, AAMI and GIO brands, and as a licenced insurer under Tasmania's workers compensation scheme, we see first-hand the impact that the Fire Services Levy (**FSL**) has in worsening the affordability of insurance for our customers. Currently up to 54.8% of the amount paid by Tasmanian businesses for insurance is taxes, the second-highest rate of all Australian jurisdictions.¹ In contrast, the third-highest rate paid by businesses is in South Australia (up to 22.1%).

We congratulate the Tasmanian Government on progressing this discussion regarding removal of the FSL from insurance premiums, including commissioning the modelling undertaken by Treasury and the resulting Options Paper.

As noted in the Options Paper, the FSL increases the overall amount paid by insurance customers for insurance, adversely impacting insurance affordability, encouraging underinsurance, and possibly resulting in some businesses choosing to go without insurance.

¹ Includes GST, Stamp Duty and FSL (example uses the maximum FSL rate). Only NSW has a higher rate, with the NSW Emergency Services Levy seeing businesses paying up to 65.46% of their premiums in taxes.

Research conducted for Suncorp by SGS Economics and Planning² analysed the impact of insurance payments in supporting Hobart's economy following the devastating storm and flood that occurred in May 2018. That research found that:

“Insurance payouts help to stabilise the local economy and offset the initial impact to the economy following the disaster. Over time, the economic stimulus from claims payouts and recovery activity encourages a faster return to normal economic activity.”

The research found that the economic support provided by insurance payments is especially important in regional areas and those with a narrow economic base and limited employment opportunities, such as those with “a high reliance on capital intensive sectors like resources, agriculture, and tourism”. This is because those areas are not able to absorb the economic losses of a disaster as easily as urban areas or those with a diversified economy.

Economic modelling conducted as part of this research also showed that even with Hobart's urban and more diverse economy, Suncorp's own claims and recovery activity payouts following the May 2018 floods boosted Hobart's GDP by \$94m (or 0.5%) in 2018, with an additional \$47m (0.3%) added to Hobart's economy in the following year.

With insurance playing a significant role in mitigating adverse outcomes, helping to restore normal economic activity following disasters and lessening reliance on publicly-funded support during recovery, it is crucial that Tasmanians are able to properly insure their businesses and assets without additional cost pressure created by government charging additional amounts on top of the price that an insurer needs to charge to cover the risk that it takes on under the insurance policy.

Removing the FSL will improve the affordability of insurance, increase the financial resilience of the community, and reduce the community's reliance on Government-funded support following disasters. Accordingly, Suncorp **strongly supports Recommendation 12** of the Blake Review and encourages the Government to implement that recommendation as soon as possible.

Regarding the specific options discussed in the Options Paper, **Suncorp supports the proposal for the FSL to be replaced with a broad-based property levy (Option 2)**, as has previously been successfully implemented in South Australia and in Victoria. Suncorp notes that Treasury's modelling of the average costs to residents and businesses do not show a significant difference between Options 2A and 2B. Accordingly, **Suncorp would support the Government implementing either of Options 2A or 2B.**

We would welcome the opportunity to provide further information regarding the effect of the FSL on insurance affordability, and to assist the Government in implementing this reform. To arrange a discussion or if you require any further information, please contact Lachlan Rees, Manager – Government, Public Policy and Sustainability on 0419 861 990, or at lachlan.rees@suncorp.com.au, at any time.

Yours sincerely



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² Available online at [How insurance helps economic recovery after disaster strikes | Suncorp Group](#).