



Information for UAC members

FSL in Victoria - Government Review

What is happening?

The 2009 Victorian bushfires prompted the Victorian Government to examine the cost of fire services in Victoria and the way the services are funded.

The role of preventing and extinguishing fires throughout Victoria is the responsibility of two government agencies, the Metropolitan Fire & Emergency Services Board and the Country Fire Authority. Fire services are primarily funded by a fire service levy (FSL) rendered on insurance premiums for property risks in Victoria. FSL is payable whether the risk is placed locally or offshore as the levy is imposed on the insured where an overseas insurer underwrites the risk.

The Victorian Government is conducting a Royal Commission into the bushfires and is considering alternative ways to fund fire services. As part of the process, the government has released a draft policy document known as the [Green Paper](#) which is designed to stimulate community discussion on fire services funding in Victoria.

The government is seeking submissions on issues raised in the Green Paper.

While the Victorian Government's preferred option is to maintain the status quo, the Green Paper seeks comments on the following options:

- Option one: Retain the existing approach
- Option two: Charge a levy on non-insured and under-insured property owners
- Option three: Status quo plus mandate banks to issue compulsory insurance
- Option four: Introduce compulsory fire services insurance
- Option five: Introduce compulsory property insurance
- Option six: Replace the FSL with an 'across the board' property tax (which could be risk based)

The Royal Commission's final report is due at the end of July and the government intends to formulate a final position on FSL in early 2011.

UAC's position

Only NSW, Victoria and Tasmania impose a FSL on insurance premiums. Other jurisdictions have moved to alternative funding methods which have reduced insurance costs. Affordability is a key driver for insurance and UAC supports all measures that help to improve insurance affordability.

UAC believes the costs of funding fire brigades should be equitably shared by the community and the cost should not be borne solely by those who arrange insurance.

Alternative methods for funding fire services should be explored by NSW, Victoria and Tasmania.

The Henry tax review recommended scrapping the FSL imposed on insurance policies to pay for Victorian fire services. The Henry review said (recommendation 79): "All specific taxes on insurance products, including the fire services levy, should be abolished".

It said insurance taxes “can impose significant costs and are one of the least efficient taxes available to the states”, are “inefficient by leading to under-insurance or non-insurance”, “inequitable”, “generally lead to a reduction in the number of people insured and will spread the burden of funding such services over less people than desirable” and mean “the uninsured do not contribute to the funding of [fire] services”. UAC supports that recommendation.

If the FSL on insurance premiums were to remain, it would be preferable to charge FSL on nett premiums, making the FSL simpler for underwriters and the levy based on the risk component of the premium.

What can you do?

You can make a submission to the Victorian Government:

- by post to: Fire Services Project, Department of Treasury & Finance, 1 Treasury Place, East Melbourne, Victoria 3002
- by email to: fireservicesproject@dtf.vic.gov.au

Submissions must be lodged by July 15, 2010.

UAC have been contacted by the Steadfast Group, which intends to make a submission in association with the National Insurance Brokers' Association to the Victorian Government and has asked for input on the issue from interested members. Interested members can contact Allan Reynolds, National Operations Manager at Steadfast. T: +61 (0) 2 9495 6525. E: allan@steadfast.com.au