

28 April 2010

Financial Services Inquiry
Victorian Competition and Efficiency Commission
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INQUIRY INTO REGULATORY IMPEDIMENTS IN THE FINANCIAL SECTOR

Insurance Australia Group (IAG) welcomes the Draft Report of the Victorian Competition & Efficiency Commission in relation to the *Regulatory Impediments in the Financial Services Sector* (March 2010).

IAG is particularly encouraged by the recommendations concerning the regulation of insurance and taxation on insurance:

4.2 "That when future Council of Australian Governments (COAG) priorities are being identified, the Victorian Government should encourage the inclusion of harmonisation of regulation covering mandatory insurance requirements on the national COAG agenda."

4.4 "That, in light of the findings of the review of Australia's future tax system (Henry Review), the Victorian Government should take a lead in negotiating national harmonisation of stamp duty on insurance and reducing the reliance on such taxes."

4.5 "That, in the absence of the conditions necessary for achieving national harmonisation of stamp duty on insurance, the Victorian Government consider reducing the distorting impact of the state tax on insurance by reducing stamp duty to the lowest rate among state jurisdictions as circumstances permit."

However, IAG submits that, in relation to stamp duty on insurance it is appropriate for the Federal and State Governments to examine a new set of undertakings beyond the current *Intergovernmental Agreement* to assist further reform of State taxation. A strong case can be made that reform of insurance taxes should have a high priority.

IAG argues that there is a clear social and economic case for eliminating or at least reducing State insurance taxes and charges as a priority for any reform of Victoria's taxation system. This case is based on recognition of the essential benefits of insurance to the Victorian economy and community generally and of the role of the tax system in encouraging insurance coverage.

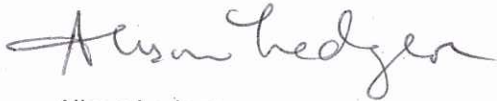
IAG would also reinforce that the current fire services levy is a poorly targeted mechanism for distributing the cost of fire services and not considered equitable. Data shows there is no correlation between the average levy collected and the incidence of fire callouts. This reflects

the fact that the levy is imposed on the total premium - which includes the full range of perils including storm and theft - and not just that proportion associated with fire. A system that is fair, consistent and more understandable to taxpayers and the community at large is needed. IAG believes that the most effective way of achieving this end, is to implement a system that sees all Victorian property owners sharing the responsibility for funding fire services.

IAG's submission supplements the submission from the Insurance Council of Australia.

If you wish to discuss this matter or make further inquiries please contact David Wellfare, Senior Adviser, Economics & Policy on (02) 9292 8593 or me on 9292 8026.

Yours sincerely

A handwritten signature in cursive script that reads "Alison Ledger".

Alison Ledger
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Insurance Australia Group