

## SENATE FINANCE AND PUBLIC ADMINISTRATION REFERENCES COMMITTEE

### INQUIRY INTO LESSONS TO BE LEARNED FROM IN RELATION TO THE AUSTRALIAN BUSHFIRE SEASON 2019-20

#### Allianz Australia, Questions on Notice from Public Hearing on 10 July 2020

**Question 1:** I want to come to some of the mitigation issues but, firstly, on this taxes and duties question, you're not the only industry group to come before a Senate committee and argue for lower charges and taxes from the Commonwealth and states. What work have you done on the amount? How much revenue would be foregone if your proposals were adopted for the Commonwealth and states?

**Answer:** The estimated amount of revenue collected through State stamp duties and levies on insurance premiums for the 2019-20 financial year is outlined Table 1.

**Table 1: Estimated revenue from special taxes on insurance in 2019-20\***

	Stamp Duty (\$m)	Levies (\$m)	Total (\$m)
NSW	1,061	898	1,959
VIC	1,469	0	1,469
SA	498	0	498
WA	683	0	683
QLD	1,005	0	1,005
TAS	100.4	68.1	168.5
NT	51	0	51
ACT	0	0	0
<b>Total</b>	<b>4,867.4</b>	<b>966.1</b>	<b>5,833.5</b>

\*Sourced from budget papers and updates, compiled by the Insurance Council of Australia

Modelling<sup>1</sup> commissioned by the Insurance Council of Australia has confirmed that removing all insurance-based stamp duties, including the Emergency Service Levy in NSW, and replacing them with commensurate increases in land taxes would lead to a net increase in real private consumption across Australia of \$5.52 billion, and a net increase in tax revenue collected by state and local governments of 0.69%.

**Question 2:** APRA has written to all of you to advise it's going to begin climate change financial risk vulnerability assessments. Can each of you take me quickly to what vulnerabilities APRA is looking for?

**Answer:** On 24 February 2020, APRA wrote to all regulated entities advising that it intends to undertake a climate change financial risk vulnerability assessment. We understand the assessment will involve entities estimating the potential physical impacts of a changing climate, including extreme weather events, on their balance sheet, as well as the risks that may arise from the global transition to a low-carbon economy.

APRA has indicated that this assessment will begin with Australia's largest authorised deposit-taking institutions (ADIs), with the ADI vulnerability assessment to be designed in 2020 and executed in 2021, with other industries including the general insurance industry to follow. Allianz Australia (**Allianz**) looks forward to engaging with APRA on this important work.

**Question 3:** When you're looking at the different regions that have been impacted by bushfires, to what extent can you practically drill down to individual properties and make

<sup>1</sup> Deloitte Access Economics (October 2015), *Impact of removing stamp duties on insurance*, report commissioned by the Insurance Council of Australia, <http://www.insurancecouncil.com.au/assets/report/Deloitte%20Access%20Economics%20-%20Impact%20of%20removing%20stamp%20duties.pdf>

assessments without having access to that BAL data? In the absence of that, how do you drill down to a particular region which can be quite different?

**Answer:** Allianz uses a bushfire model that assesses bushfire risk at the individual property level. Without a national database on property Bushfire Attack Levels (BAL) ratings, Allianz uses proprietary modelling to produce a bushfire risk score for each property. Similar to how BAL ratings are calculated, Allianz assesses bushfire risk using a combination of Fire Danger Index (FDI) values, vegetation type, distance from vegetation, and slope. Vegetation classification is derived from satellite imagery at either 5m or 30m resolution. Around 8% of properties are assessed as having somewhere between a moderate to high fire risk danger.