

## What is the Emergency Services Levy?

If you have home, contents or motor insurance, or hold insurance for a commercial property in New South Wales, you have most likely paid an Emergency Services Levy (ESL) on top of your insurance premium

The ESL is collected by the insurance company and paid to the New South Wales State Government to help fund the fire and emergency services.

## How does it work?

Every financial year the NSW Government requires insurance companies who sell certain types of insurance to contribute funding for the state fire and emergency services including Fire and Rescue NSW, the NSW Rural Fire Service and NSW State Emergency Services.

In the 2020-2021 financial year, insurers will be required to contribute almost **\$1.1 Billion**, a 20% increase from the previous year.

To meet this obligation, insurance companies charge policyholders a percentage of their total contribution on top of their insurance premium, otherwise known as the ESL

## How does this affect me?

Insurance policies in NSW are already subjected to some of the highest levels of taxes and levies in Australia.

The combination of ESL, Stamp Duty and GST means that for some property owners the cost of insurance can be **increased by up to 70%**, once government taxes and levies are taken into account. These taxes and levies will increase the cost of home and contents insurance in NSW by around 40% in 2020/2021.

While the government froze premium increases for some state-run insurance programs during the economic downturn it proceeded with the planned increase to the Emergency Services Levy on 1<sup>st</sup> July 2020.

## Does everyone pay ESL?

NO!

Only people who take out property insurance in NSW pay the ESL.

Property owners who do not insure their property, or who fund their property risks by other means do not pay the levy. However, all property owners receive the benefit of the emergency services when required.

## What do other States do?

NSW is the only mainland state to use an insurance-based funding model for fire and emergency services. Other states have transitioned to a property-based model where the levy is applied to property rates.

A property based levy is fairer as it means that those who get the benefit of the emergency services contribute to the funding, and the cost of the emergency services is spread across all property owners, not just those who take out insurance.

In 2013, Victoria reformed their emergency services levy following the recommendations of the 2009 Victorian Bushfire Royal Commission.

## Does this make insurance unaffordable?

For many people and businesses, the additional burden of three taxes and levies will make maintaining their current level of insurance unaffordable.

This substantial increase in ESL, at a time when communities are recovering from drought, fire and recession, will mean that many policyholders will be forced to reduce their insurance below acceptable levels or forgo insurance entirely.

Numerous Royal Commissions and independent inquiries have called for the ESL to be abolished due to its effect on insurance affordability

Most recently the Financial Federal Relations Review called for the levy to be scrapped in NSW as it led to "serious human and social consequences"

## Wasn't this supposed to change?

Following detailed examination of options, the NSW Government decided to abolish the ESL on insurance premiums from 1 July 2017.

From that date, the emergency services were to be funded by a levy on property, just like the other States and Territories of Australia. However, at the last minute the Government decided they would not proceed with the change, and the levy remains on property insurance premiums in NSW.

## What can I do?

Contact your local Member of the NSW Parliament, and let them know your concerns about the ESL.

If you're unsure where to start visit [www.niba.com.au/html/emergency-services-levy-hub.cfm](http://www.niba.com.au/html/emergency-services-levy-hub.cfm) for some helpful resources.