

# **NSW Legislative Council Inquiry into the fire and emergency services levy**

## **Opening Statement**

Delivered in Sydney, Monday August 13, 2018

**Rob Whelan, CEO, Insurance Council of Australia:**

Thank you for the opportunity to give evidence and provide this opening statement to the Committee.

The ICA is the representative body of the general insurance industry in Australia. Its members include almost all the insurers which collect the insurance-based Emergency Services Levy on behalf of the New South Wales Government. The levy provides the bulk of the funding for the state's fire and emergency services.

Over the 18 months leading up to 1 July 2017, the legislated date for introduction of the property-based Fire and Emergency Services Levy, the ICA members put considerable effort and resources into the orderly removal of the ESL. This included working closely with NSW Treasury, the ESL Insurance Monitor and his Office.

In view of the industry's full co-operation and compliance with the regulatory requirements, the industry was disappointed it was not consulted on the Government's decision to defer the transition to a property-based levy.

The Government's decision in May last year to repeal the *Fire and Emergency Services Levy Act 2017* at such a late stage, and reimpose upon insurers the obligation to collect the insurance-based levy, led to major financial and operational consequences for Insurance Council members.

Insurers spent tens of millions of dollars before the repeal on system changes, compliance, communications and data requests, and more had to be spent on the levy's re-introduction.

The ongoing information requirements imposed by the Emergency Services Insurance Monitor are extensive and costly to meet. It is hard to see a connection between much of the Monitor's current activity, such as a report on insurance and Big Data, and his levy monitoring role. Given the insureds pay for the Monitor through the ESL, the Insurance Council recommends that this role be reconsidered in light of the Government's ultimate policy intentions.

NSW continues to be the only mainland state that, contrary to good public policy, funds its fire and emergency services through an insurance-based levy. As recently as August 3, the Productivity Commission advocated the removal of taxes on insurance.

The ESL – when combined with GST and stamp duty – results in householders in this state paying about 45 per cent tax on their final insurance bills, compared with just 10 per cent in the ACT and 22 per cent in South Australia. This means that NSW households pay a much higher proportion of tax on their insurance premiums than any others. Small businesses are even worse off, paying up to 60 per cent in taxes and levies. It is a strong disincentive for NSW residents and businesses to ensure they have adequate insurance.

Under an insurance-based levy, the owners of uninsured properties do not contribute directly to the funding of emergency services, and the owners of underinsured properties contribute less than those fully insured.

The insurance-based levy therefore, penalises policyholders for effectively managing their risks and encouraging non and under insurance.

The ICA believes that a property-based levy remains the most economically effective, equitable and efficient method to fund the NSW Fire and Emergency Services. It is consistent with the user-pays principle for government services; encourages adequate use of insurance; and is a more efficient and certain way for the Government to collect revenue.

The Insurance Council and its members reaffirm their willingness to work with the Government to achieve this reform, which would have overall benefits for insurers and the state economy.

I am happy to take questions from the Committee.

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