



22 June 2021

Ms Jennifer Vincent  
Independent Pricing and Regulatory Tribunal  
2-24 Rawson Place  
**SYDNEY NSW 2000**

By email: [jennifer\\_vincent@ipart.nsw.gov.au](mailto:jennifer_vincent@ipart.nsw.gov.au)

Dear Ms Vincent

### **Draft Terms of Reference – Review of Fire and Rescue NSW’s fees and charges**

The Insurance Council of Australia (**Insurance Council**) welcomes the opportunity to comment on *Draft Terms of Reference – Review of Fire and Rescue NSW’s fees and charges* (**Draft Terms of Reference**). The Insurance Council is the representative body of the general insurance industry in Australia and represents approximately 95 percent of private sector general insurers. As a foundational component of the Australian economy, the general insurance industry employs approximately 60,000 people, generates gross written premium of \$53.9 billion per annum and on average pays out \$166.2 million in claims each working day (\$41.5 billion per year).

We draw your attention to the words highlighted in the following sentence of the Draft Terms of Reference:

*“FRNSW’s activities are predominantly **funded** by the Fire Services Levy **paid** by insurance companies and local councils, as well as NSW Budget funding.”* (emphasis added)

The Insurance Council’s concern is as to this manner in which the funding of the FRNSW is described. In the context of a review of fees charged by FRNSW this description has the potential to mask the duplicative nature of those fees in certain circumstances. We also note as a matter of technical accuracy that the NSW Government presently levies an “Emergency Services Levy” (**ESL**) and not a “Fire Services Levy”.

The ESL is by design an impost imposed by the NSW Government on persons and entities who insure their homes, other real property, personal effects, motor vehicles and farmers in respect of their growing crops (from combined fire and hail) and livestock. It is these persons, not insurance companies, who “predominantly fund” the FRNSW’s activities, setting aside monies raised from local councils.

The role of insurance companies in this ESL system is, in effect, one of collecting the funding on behalf of the NSW government. This outcome is achieved by a complicated system under the *Emergency Services Levy Act 2017 (NSW)* (**ESL Act**) under which the NSW Government first imposes an obligation on insurers to pay “an emergency services insurance contribution”,<sup>1</sup> which amount insurers are then

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<sup>1</sup>Section 7, *Emergency Services Levy Act 2017 (NSW)*

expected to obtain from persons and entities purchasing the abovementioned insurances. This can be seen from a number of provisions in the ESL Act which relate to how insurers source these funds from policyholders. For example, insurers are required to inform policyholders of the amount they are invoiced which “is estimated to be attributable to the contribution payable under this Act”.<sup>2</sup>

The practical outcome of the ESL’s design for the purposes of the Tribunal’s review is that where the FRNSW charges a person who is a relevant policyholder for a service that person will be paying FRNSW twice: first when they take out an insurance policy to safeguard their asset and second when they pay the FRNSW charge.

We trust that our observations are of assistance. If you have any questions or comments in relation to our submission please contact Aparna Reddy, the Insurance Council's General Manager, Policy Regulatory Affairs, on telephone: 02 9253 5176 or email: [areddy@insurancecouncil.com.au](mailto:areddy@insurancecouncil.com.au).

Yours sincerely



**Andrew Hall**  
Executive Director and CEO

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<sup>2</sup>Section 37, *Emergency Services Levy Act 2017 (NSW)*