



News release

Insurance Council
of Australia

Tuesday, 21 June 2022

Failure to reform Emergency Services Levy a missed opportunity

The Insurance Council of Australia (ICA) says the failure to reform the Emergency Services Levy (ESL) on insurance products in today's New South Wales State Budget means home and car owners and small businesses will continue to pay the most expensive insurance premiums in the country.

Insurance customers in New South Wales will continue to pay a tax which has been or is being removed in every other state, and which adds 30 to 50 per cent to the cost of a premium.

No other mainland state taxes insurance customers with the cost of delivering emergency services, and Tasmania is currently in the process of removing its levy.

The Budget Papers show that insurance customers will pay more than \$1 billion in ESL in 2022-23 to fund measures associated with the 2020 NSW Bushfire Inquiry and in response to the 2021 and 2022 floods.

Including council contributions, ESL payments over the forward estimates will be 10 per cent higher, or \$520 million more, than forecast at last December's mid-year review.

This increase has a direct impact on insurance affordability for policyholders all over the State.

The Government's own 2020 Review of Federal Financial Relations chaired by former Telstra CEO David Thodey found that insurance taxes like the ESL "drive up premiums and discourage consumers from adequately insuring [with] serious human and social consequences."

The ICA welcomes action in the Budget on renewables and climate change, as well as funding measures previously announced to meet the requirements of the 2020 Bushfire Inquiry.

While the Budget does not contain any previously unannounced funding to make communities more resilient to extreme weather risk, the ICA looks forward to the Government's response to the O'Kane-Fuller independent flood inquiry due by the end of the month.

The ICA has previously called for \$232 million to be jointly invested by the State and Federal Governments in measures to better protect New South Wales homes and communities from the impact of extreme weather, which is estimated to deliver a return on investment of \$5.6 billion by 2050.

Quote attributable to ICA CEO Andrew Hall:

We support the NSW Government's positioning as a driver for major reform to the State's budget, but one of the most inefficient and punitive taxes being levied on insurance customers remains untouched.

New South Wales will soon be the only state to require those who insure to pay for the cost of delivering emergency services.

This is not only unfair, it also has terrible public policy outcomes that discourages adequate insurance coverage.

In a State that is recovering from the worst flood and bushfire events in modern history, and with extreme weather events only getting worse not better, we can't afford not to include insurance levies and taxes in the Government's reform agenda.