MEDIA RELEASE

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Why are we waiting? Business, consumer and community groups call on NSW MPs to scrap the insurance tax

A coalition of business, consumer, community and industry organisations has called on every party in the New South Wales Parliament to commit to scrapping the insurance tax before the March 2027 state election.

New South Wales is the only state that still funds emergency services by taxing home, motor and business insurance. The Emergency Services Levy (ESL) currently adds around 18 per cent to the cost of home insurance and around 34 per cent to business insurance.

The Insurance Council of Australia, Strata Community Association NSW, Financial Rights Legal Centre, NSW Council of Social Service, Committee for Sydney and the National Insurance Brokers Association today called for a firm, bipartisan commitment to replace the levy in the next term of Parliament.

Successive reviews and inquiries have concluded that the tax should be abolished because it makes insurance more expensive and unfairly penalises those households and businesses that protect themselves by taking out insurance.

The levy has risen 54 per cent in the past six years, compounding the pressure that extreme weather and inflation are placing on insurance costs.

Because the levy is calculated as a percentage of insurance premiums, households and businesses facing the greatest extreme weather risk pay the most.

But those who do not insure – including large commercial property owners that self-insure – contribute nothing towards the emergency services that protect the entire community.

Independent economic analysis commissioned by the Insurance Council found that replacing the levy with a broad-based property charge would leave 2.1 million New South Wales households better off and deliver annual savings of up to $460 million. Regional households, pensioners, strata residents and small businesses would receive some of the largest savings.

The analysis also found that with the removal of ESL, the rates of insurance would increase across the state which has some of the highest under and uninsurance rates in the country. It's expected an additional 82,000 households would take out building insurance and 320,000 households would take out contents insurance.

Reform has been debated for years: the Liberal-Nationals Coalition attempted to replace the levy in 2017, while the Minns Labor Government committed to reform in 2023 and has released five possible alternatives.

The NSW Select Committee on Emergency Services Funding Reform will report in November, giving every party the opportunity to make a clear election commitment, which should include an implementation timetable and protections for pensioners, low-income earners, renters, farmers and small businesses.

The Insurance Council today launched its **'Why are we waiting?'** campaign, calling on the New South Wales Parliament to **scrap the insurance tax** and deliver a fairer way to fund emergency services. www.scraptheinsurancetax.com.au

Quotes attributable to Andrew Hall, CEO, Insurance Council of Australia:

“Business, consumer, community and industry groups have come to the same conclusion: this tax is unfair and must go.

“Firefighters and SES volunteers protect everyone, so everyone should contribute to the services they provide.

“The cost of emergency services should not fall disproportionately on families and businesses that do the right thing by taking out insurance.

“More than two million households could be better off under a fairer system – every party now has the opportunity to commit to reform before the election.

“New South Wales has been debating this for long enough. Scrap the insurance tax – why are we waiting?”

Quotes attributable to Cara Varian, CEO, NSW Council of Social Service (NCOSS):

"For too many people, the ESL has meant insurance has become a luxury they can't afford.

“Because high-risk areas are often where housing is cheaper, it's low-income households who end up paying the most for a system they can least afford.

“This reform must fix that and get the fundamentals right for the people who need it most.

“As the options are worked through, we need a safeguard to ensure people who are marginalised won't be financially worse off under the new system.”

Quotes attributable to Eamon Waterford, CEO, Committee for Sydney:

“The last thing we need in the middle of a cost-of-living crisis is for communities across Sydney to decide they can’t afford home insurance.

"With 12 natural disasters declared in Sydney over the past five years, households have to be able to insure themselves against the potential costs of rising climate-related natural hazard events.

“The first step is removing the Emergency Services Levy from home insurance, and that should be matched with well-funded emergency services and multi-hazard disaster adaptation planning that reduce the risk to communities across Sydney and the state.

“These reforms will reduce the cost of insurance for most insured households across Greater Sydney, creating a long-overdue economic dividend, and making the funding of emergency services more sustainable as climate-driven costs continue to grow."

Quotes attributable to Robert Anderson, President, Strata Community Association NSW:

"SCA (NSW) has long advocated for a fairer funding model that removes taxes on insurance and improves affordability for strata communities.

"Strata owners in NSW have been paying up to three times more in Emergency Services Levy charges than their Victorian counterparts, despite facing similar insurance needs. Our sector has disproportionately funded these agencies because Owners Corporations are required to maintain compulsory building insurance.

"We believe that the levy should be collected through Council rate notices, with classification by Revenue NSW, as this is the fairest practice that aligns with other states and territories across Australia."

Quotes attributable to Julia Davis, Principal External Relations & Advocacy, Financial Rights Legal Centre:

“Home insurance premiums are rising sharply across Australia, leaving more households without the coverage they need to protect themselves from increasing weather-related risks.

“Actuarial research has estimated that over 1.6 million homes face insurance affordability pressure. Only in NSW is this insurance affordability problem compounded by an emergency services levy adding 18% on top.

“We know that the most vulnerable households get pushed into the highest risk areas and the least resilient housing. They are already paying more to protect their homes than households in less exposed regions. They should not have to pay more for the same emergency services that are available to all households and businesses.”

Quotes attributable to Richard Klipin, CEO, National Insurance Brokers Association (NIBA):

“Insurance brokers see the impact of this tax on their clients every day. The ESL adds hundreds of dollars to the cost of protection for many households and small businesses already stretched by rising premiums in NSW.

“Insurance affordability and accessibility is one of the defining challenges facing households and businesses in New South Wales, and this tax makes it worse. Scrapping the levy is one of the clearest steps the NSW Government can take to keep cover within reach for the people who need it most.”

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