

6 January 2020

The Hon G Berejiklian MP
Premier of New South Wales
Parliament House
Sydney

The Hon D Perrottet MP
Treasurer of New South Wales
Parliament House
Sydney

Dear Premier,
Dear Treasurer,

NSW Emergency Services Levy

On behalf of the clients of insurance brokers across New South Wales, we would like to strongly urge the NSW Government to urgently re-consider the funding of emergency services in this State.

Recommendation 64 of the 2009 Victorian Bushfires Royal Commission stated:

“The State replace the Fire Services Levy with a property-based levy and introduce concessions for low-income earners.”

We do not have to wait for the outcome of any review of the current fires across New South Wales. The issues and concerns arising out of the current mechanism for funding the emergency services in this State are well known, and the arguments in favour of reform are overwhelming.

We refer to the editorial in the *Australian Financial Review* on 4 January 2020, where these issues are clearly and succinctly set out.

Property owners in New South Wales who take a responsible approach and insure their property against fire and other losses currently face taxes and charges on their insurance premiums of between 40% and 60%, depending on the location of the property. The highest taxes and charges are paid by small- and medium-sized businesses in regional and rural New South Wales – businesses located in severely drought-affected areas.

There is no doubt that the overall cost of property insurance is a major factor taken into account when property owners determine the level of insurance cover they wish to purchase. Our Members are regularly reporting to us that this is the case.

There is also no doubt that property owners are reducing the level of insurance cover because they are unable or unwilling to pay the cost of comprehensive insurance cover for their potential losses. Recent information published by the Insurance Council of Australia confirms that NSW is the most expensive State in which to insure property, and that as a consequence NSW tends to have lower sums insured. This will result in underinsurance being an issue in some communities (see:

https://www.linkedin.com/posts/kksullivan_this-seasons-home-building-loss-now-stands-activity-6619074969169170432-xi38)

All property owners receive the benefit of the fantastic efforts of our professional and volunteer fire fighters and emergency services personnel.

However, only those who insure their property via traditional insurance mechanisms contribute to the cost of those services. Property owners who choose not to carry insurance, who self-insure, or who are able to use alternative risk financing mechanisms to finance potential losses, are making no contribution towards the cost of the services they receive from FRNSW, RFS or the SES.

This is inequitable and seriously unfair. New South Wales is the only mainland Australian State or Territory that continues this mechanism for funding the fire and emergency services.

The level of unfairness and inequity will increase dramatically in the 2020/2021 financial year. The Government has indicated that the amount to be raised from the Emergency Services Levy on insurance premiums in that year will be \$1,143 million, 45% higher than the amount raised in the 2018/2019 financial year (2019 December Budget update refers).

The proposed Emergency Services Levy increases will inevitably result in property owners further reducing their level of insurance cover, or seriously considering alternative forms of risk financing for their property.

Please note: every time a property owner leaves the traditional insurance pool, the burden of the levy increases for all those remaining in the traditional insurance market, further exacerbating the problems this levy causes. This has the greatest impact on home owners, and small business owners who do not have access to sophisticated risk financing mechanisms such as mutual pools, captive insurance or other arrangements.

We strongly urge the Government to complete any outstanding modelling for an emergency services property levy, and to make a Regulation under section 152 of the *Fire and Emergency Services Levy Act 2017* appointing a start date for the emergency services property levy.

Meeting Request

On behalf of the President of the National Insurance Brokers Association, Mr Eric Harris, and the Director on our National Board representing New South Wales, Ms Rebecca Wilson, I would like to request a meeting to discuss these matters, and to highlight the problems and concerns that the current emergency services funding regime is causing for property owners in this State.

I look forward to hearing from your office in this regard.

Yours sincerely,



Dallas Booth
Chief Executive Officer