

Thursday December 10, 2015

## Insured households to win from NSW Government scrapping the Emergency Services Levy

Household insurance premiums in New South Wales will plunge following reforms to the state's funding of its emergency services and the abolition of the insurance levy.

Today's announcement by NSW Treasurer Gladys Berejiklian will see the axing of the unfair Emergency Services Levy (ESL) on insurance premiums, which typically adds 21 per cent to the cost of insurance. It will be replaced by the introduction of a property-based charge to fund NSW's fire services and SES from July 1, 2017.

Insurance Council of Australia (ICA) CEO Rob Whelan commended the Baird Government for its decision, which will bring NSW into line with all other states and territories.

"This is great news for insured NSW households, and it's also a win for the state Budget," Mr Whelan said. "It is fairer, and will reduce the financial burden on those households who buy insurance.

"The ICA has been advocating reform of NSW's ESL for decades, and insurers are committed to passing on the savings to their customers.

"Currently, NSW households face the triple tax whammy of GST, stamp duty and the ESL adding almost 45 per cent to the base premium of their home and contents insurance costs.

"This enormous impost contributes to the incidence of noninsurance and underinsurance, leaving many households financially vulnerable."

ICA figures show removing the ESL will save the average policyholder more than \$250 a year on the cost of their household insurance (see table below).

"At the same time, this inefficient, regressive tax has been holding back the state's economy," Mr Whelan said.

["Research released by the ICA"](#) just last month found replacing the ESL could boost state government coffers by \$84 million through increasing household consumption."

The ICA welcomed the appointment of Professor Allan Fels as Emergency Services Levy Monitor during the transition.

"Insurers worked closely with Prof. Fels during Victoria's transition from its Fire Services Levy to a fairer property-based charge, and will again cooperate with him and his team," Mr Whelan said.

However, he noted insurance premiums in all states and territories were still subject to both stamp duty and GST.

"As the Turnbull Government this week contemplates how to reform the tax system to make Australia's economy more resilient, productive and competitive, it's clear that replacing state taxes on insurance must be part of the final package," he said.

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“Axing the NSW ESL is only the first step. Insurance premiums nationally are still inflated by a 10 per cent GST and state stamp duties of 9 to 11 percent,” Mr Whelan said.

“Many independent bodies, including the Productivity Commission and the Henry Tax Review, have consistently recommended insurance stamp duties be replaced by broad-based taxes with minimal exemptions. Only the ACT is phasing out its stamp duty on insurance.

“[ICA research](#) has found replacing these inefficient stamp duties in all jurisdictions would boost the national economy by upwards of half a billion dollars after five years.

“[A report by the Sapere Research Group](#) released in August concluded removing these taxes would lead hundreds of thousands of Australians taking out insurance or increasing their level of cover.”

-ENDS-

**Insurance Council of Australia CEO Rob Whelan will be holding a media conference at 11.30am at Level 4, 56 Pitt Street, Sydney.**

Notes:

Impact of removing the Emergency Services Levy from NSW household insurance policies

	Including ESL	Excluding ESL	Savings
Average Household Base Premium	\$1062.0	1062.0	
ESL	212.4	0	212.4
GST	127.4	106.2	21.2
Stamp duty	126.2	105.1	21.0
Total	1528.0	1273.3	254.7