INSURANCE COUNCIL OF AUSTRALIA

Media Statement

Tuesday May 30, 2017

FESL delay a costly blow to NSW

Insurance Council of Australia spokesperson Campbell Fuller says:

"Insurance companies are shocked and disappointed with the Berejiklian Government's decision to delay the introduction of the Fire and Emergency Services Levy (FESL) on properties.

The decision is a blow to New South Wales property owners, households, businesses and the broader state economy. The ESL will continue to deter the community from taking out the insurance we all need.

Today's announcement has come without consultation with insurers. The government now requires insurance companies to continue collecting the old Emergency Services Levy (ESL) beyond June 30, for an unspecified portion of the 2017-18 financial year. It is concerning that no deadline has been set for recommencement of the reform.

This has significant legal and commercial implications for the industry. It is a logistical and technical challenge that will cause confusion and increase premiums for policyholders.

The resumption of ESL collection will come with significant additional costs that the industry will be forced to pass on in full to policyholders.

This government had promised insurance customers they would experience a fall in their insurance premiums after June 30; as the ESL Insurance Monitor has said publicly, many consumers have already seen significant reductions in the ESL charged on their insurance. This will now need to be reversed.

The NSW Government has had more than 18 months to design and implement its new FESL system. Every other mainland state has abolished emergency services levies on insurance with little fuss.

Insurers have spent more than a year and tens of millions of dollars on consultants and technological system changes in preparation for the removal of the ESL from June 30. They have worked without the certainty of legislation, which was only passed in March.

The government's failure to introduce its FESL on time calls into question the notion that emergency services should be funded separately rather than through consolidated revenue."

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