

The Emergency Services Levy

Insurance companies are required to contribute to the funding of the NSW fire and emergency services. Insurers generally reclaim this amount from their customers by charging an Emergency Services Levy (ESL), which is added to the cost of your property insurance policy.

The NSW Government planned to reform this funding model in 2017, remove the funding requirement from the insurance industry and introduce a land-based levy, to be collected with council rates. However, this reform has been deferred, to ensure small to medium businesses do not face an unreasonable burden in their contribution to the states fire and emergency services. In the meantime, funding of these services will continue via the insurance system and an ESL in your policy.

How the ESL works

Each financial year the NSW Government requires insurance companies to contribute 73.7% of the funding for the fire and emergency services budget. Local councils contribute 11.7% and the NSW Government 14.6%. Insurance companies generally pass on the costs of their contribution to their customers by charging an ESL on building, contents, motor vehicle and certain other policies.

When do I pay ESL?

When you take out an insurance policy, ESL is added to the cost of your insurance premium, along with GST and stamp duty. The ESL you pay is intended to fund your insurer's contribution for the financial year in which your policy starts. This is the case even if your insurance policy runs into the following financial year or you pay by instalments into the following financial year.

How much ESL should I pay?

Each insurer sets an ESL rate it considers will reclaim an amount similar to the contribution it is

required to pay to the Government. This means that different insurers may charge different ESL amounts for similar policies.

In preparation for the intended reform, many insurers varied the rates of ESL charged during 2016-17, in order to reclaim sufficient funds to meet their contribution obligation, whilst reducing the ESL rate to zero by 1 July 2017. However, following the reform deferral, ESL rates will now continue to be added to policies.

The Insurance Monitor has published guidelines to clarify its expectations on how insurers should behave, but insurers are able to make their own decisions about how they re-establish ESL. Insurance companies should be able to provide appropriate explanations to policyholders.

The Insurance Monitor's role

Prior to the deferral, the Monitor's role was to oversee the removal of ESL from insurance policies. Now, the role is to ensure there is no over-collection of ESL, unreasonable pricing or false or misleading conduct in relation to the re-establishment of the ESL.

Further information about the Insurance Monitor and the ESL is available on the Monitor's website: eslinsurancemonitor.nsw.gov.au

Complaints

If you are concerned about your ESL charge, seek clarification from your insurer about their approach and the basis of the charges. If you would like the Monitor to inquire further, please lodge your complaint on the Monitor's website or call the Monitor's hotline on 1300 607 723.

The Monitor can use its statutory powers to take action against insurers who charge unreasonably high prices or provide false or misleading information about the effects of the ESL reform.