Actuaries Institute.

20 May 2024

Emergency Services Levy Project Team

NSW Government

Email: ESFReform@treasury.nsw.gov.au

Dear Sir/Madam

Consultation: Reforming the emergency services funding system

The Actuaries Institute ('the Institute') welcomes the opportunity to provide feedback on the NSW Treasury consultation paper on reform options for the funding of emergency services in NSW.

The Institute is the peak professional body for actuaries in Australia. Our members work in a wide range of fields including insurance, superannuation and retirement incomes, enterprise risk management, data analytics, climate change impacts and government services. The Institute has a longstanding commitment to contribute to public policy discussions where our members have relevant expertise. The comments made in this submission are guided by the Institute's 'Public Policy Principles' that any policy measures or changes should promote public wellbeing, consider potential impacts on equity, be evidenced-based and support effectively regulated systems.

The Institute supports the abolition of the Emergency Services Levy (ESL) and its replacement with a more equitable source of revenue collection. The Institute supports the arguments set out in Section 3 of the consultation paper, which form the case for the removal of ESL. The ESL is an inefficient and inequitable tax and adds upwards pressure to the affordability of insurance, and may be impacting the higher level of under insurance in NSW compared to other Australian states. Reform of the ESL and replacement of other insurance taxes has been called for by the Institute for some years, as one of the most immediate steps that can be taken to address home insurance affordability and availability in NSW, and thereby improve societal resilience.[1]

In considering alternative revenue sources, the Institute supports the design principles of cost recovery, equity, simplicity and sustainability. In particular, we emphasise the principle of sustainability can also be considered as part of the broader current discourse about home buildings insurance affordability, on which there is extensive Institute research and referred to in the consultation paper. In addition to ESL, other insurance taxes including stamp duty and Goods and Services Tax have a compounding effect on premiums. In an environment of increasing premiums and resulting taxes and levies, underinsurance may increase and the funding burden may fall on a declining number of policyholders.

[1] For example, most recently in the Institute's papers on Home insurance affordability and socioeconomic equity in a changing climate and Funding for Flood Costs: Affordability, Availability and Public Policy Options.

Actuaries Institute
Level 2, 50 Carrington Street, Sydney NSW 2000
P +61 (0) 2 9239 6100 | actuaries.asn.au
ABN 69 000 423 656

We emphasise a smooth transition to the new funding model will be important for all stakeholders - customers, emergency service providers, State and local governments and insurers. This will be assisted if the timeline is clearly articulated and followed. We note the comment in Appendix B that the previous unsuccessful attempt caused significant and avoidable costs to local governments and the insurance industry. We also note that a policy on transition arrangements will be required to consider the scope for double revenue collection from some customers for funding of emergency services and, if such scope exists, the potential impact on all stakeholders. We observe that in Victoria when ESL was removed, no transition arrangements were put in place, and the Fire Service Levy (FSL) was payable on all policies taken out prior to 1 July 2013, with no FSL refunded if policies were cancelled unless under limited conditions such as hardship.

As the consultation paper notes there are considerations with each of the potential revenue bases and other design elements. The Institute would be willing to assist the ESL Reform Project Team with any specific option, or more generally discuss this submission. If that would be of assistance, please contact the Institute via (02) 9239 6100 or public_policy@actuaries.asn.au.

Yours sincerely

(Signed) Elayne Grace
CEO