Submission
No 67

EMERGENCY SERVICES FUNDING REFORM

Organisation: Suncorp

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Ms Jacqui Scruby

Chair
Legislative Assembly Select Committee on Emergency Services Funding Reform
Parliament of New South Wales
6 Macquarie Street
SYDNEY NSW 2000

Dear Chair,

Thank you for inviting the Suncorp Group (Suncorp) to contribute to the Committee's inquiry into and report on replacement levy model options for emergency services funding reform in NSW.

Suncorp provides insurance products to millions of Australians through our trusted brands, including Suncorp Insurance, AAMI, GIO, APIA, Shannons, and Vero. With a heritage dating back to 1902, Suncorp's purpose is to "build futures and protect what matters", which guides everything we do. We have seen this purpose play out firsthand across New South Wales, from supporting communities devastated by the Black Summer bushfires to helping families rebuild following the catastrophic Northern Rivers floods.

The daily work of our emergency responders across the Rural Fire Service, State Emergency Service, and Fire and Rescue NSW is indispensable. They provide a vital, universal safety net and deserve robust, guaranteed funding. However, the current mechanism used to raise this money, the Emergency Services Levy (ESL), is fundamentally unfair. Originating from 19th-century legislation, the ESL is a tax system built for 1884, not 2026.

As Attachment A details, the ESL operates as a regressive "Postcode Penalty." By taxing the base cost of insurance, it forces highly-exposed regional and outer-suburban communities to carry the heaviest financial burden for state-wide services. This actively punishes working families seeking to responsibly insure their homes.

A fairer replacement model is the only viable path forward. Suncorp strongly supports the Insurance Council of Australia's (ICA) work in developing a sustainable replacement. Transitioning to the broad-based property model they outline is the most viable and sustainable pathway to secure an equitable funding base for our emergency services, and we support them in developing this necessary structural transition. We are committed to working collaboratively to ensure our emergency services remain fully-funded without punishing those who can least afford it.

We would welcome the opportunity to discuss our submission further. Should you have any questions, please contact [redacted]

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SUNCORP

Submission to Legislative Assembly Select Committee on Emergency Services Funding Reform

Attachment A

Suncorp submission to Legislative Assembly Select Committee on Emergency Services Funding Reform

Suncorp has a history of working with governments to develop and deliver public policy initiatives that support insurance affordability and availability for our customers and Australian communities.

Executive Summary

The New South Wales Emergency Services Levy (ESL) is a fundamentally unfair tax. Originating from legislation first drafted in the 19th century, the ESL is a tax system built for 1884, not 2026. While our fire and emergency services provide a modern, crucial universal safety net for every citizen, the funding model remains trapped in an antiquated, highly regressive structure that directly penalises regional, outer-suburban, and hazard-exposed communities.

By applying an indiscriminate tax multiplier to the base cost of insurance, the ESL effectively operates as a "tax on risk." Because the ESL compounding multiplier applies directly to base premiums, high-hazard communities are not merely paying more for insurance coverage; the state government actively extracts a significantly higher tax penalty from them simply because of where they live.

To demonstrate the structural failure of this tax, Suncorp has undertaken hyper-local data modelling across New South Wales. Informed by the core conceptual framework of the Actuaries Institute's Insurance Affordability Index, we overlaid policy metrics with local income data to map the exact number of working days of income required strictly to pay the ESL.

The data reveals a stark, indisputable geographic and electoral divide:

- **The Regional & Outer-Suburban Penalty:** Working families in high-hazard regional hubs and developing metropolitan fringes are forced to surrender nearly an entire week's worth of hard-earned wages just to fund this state tax. In highly exposed suburbs like South Windsor (4.9 days), Grafton (4.7 days), and West Kempsey (4.5 days), families sacrifice up to five days of work exclusively to satisfy the government tax.
- **The Metropolitan Shield**: Conversely, residents in affluent, low-hazard inner-city areas surrender only a tiny fraction of their earning capacity to access the exact same state-wide safety net. Families in Neutral Bay (0.3 days) or the state electorate of Sydney (0.5 days) pay the equivalent of just a few hours of work.

This is not a minor demographic imbalance; it is a policy failure. The current system effectively demands that the specific communities with the highest natural hazard risk and lowest capacity to pay carry the heaviest financial weight for a universal public service.

Reform is no longer just an economic imperative; it is a matter of basic social fairness. The NSW Parliament has a generational opportunity to correct this inequity by abolishing this insurance-based tax.

Suncorp strongly supports the ongoing work of the Insurance Council of Australia (ICA) in developing a sustainable replacement model and fully endorses the ICA's overarching submission. Transitioning to a broad-based replacement model is the only viable path forward. However, the ultimate test of any replacement model will be its capacity to distribute the funding burden equitably. Universal contribution must be balanced with structural protections, such as a granular, ten-tier system rather than blunt categories, and explicit relief to shield vulnerable cohorts, including pensioners, renters, small businesses, and primary producers, from undue financial distress.

Suncorp is committed to working collaboratively with the Parliament, the NSW government and industry partners to implement a replacement model that honours these principles of fairness, ensuring our vital emergency services are fully funded without punishing those who can least afford it.

2 The Case for Change: A Broken Status Quo

New South Wales remains the only mainland state in Australia that still relies on a tax applied directly to insurance policies to fund its emergency response network. While the State Emergency Service (SES), Rural Fire Service (RFS), and Fire and Rescue NSW provide a world-class, universal safety net for the community, the mechanism used to fund them is fundamentally broken.

Suncorp strongly submits that the current Emergency Services Levy (ESL) is not merely an inefficient revenue collection mechanism; it is an unfair tax on safety. It actively penalises homeowners and businesses who take personal responsibility for protecting their assets, while creating an unsustainable, regressive cost burden for working families.

The economic consensus on this failure is neither new nor debated. Over a decade and a half ago, the landmark Review of Australia's Taxation System (the Henry Review) explicitly condemned this exact funding model. Since then, despite continued consensus on its central economic warnings, the issue remains unresolved and has only compounded in severity as disaster risks and living costs have increased.

The Henry Review accurately warned that;

> "Imposing specific taxes on insurance deters people from insuring their property and encourages them to bear unnecessary risks, rather than pooling risk with others. Rates of non-insurance (for building and content insurance) generally are higher at lower incomes, yet low-income people are less able to bear the risk." [1]

The Henry Review's recommendation was unequivocal;

> "All specific taxes on insurance products, including the fire services levy, should be abolished. Insurance products should be treated like most other services consumed within Australia and be subject to only one broad-based tax on consumption." [2]

Despite this clear mandate and the system having been canvassed in numerous federal and state government reviews and inquiries, it persists, continuing to disproportionately punish those who can least afford it.

Today, as it has been for over a decade and a half, the case for immediate reform is built on the undeniable unfairness of the status quo.

2.1 The Penalty for Protection

Under the current framework, the ESL acts as a punitive surcharge on responsibility. The NSW Government states the ESL inflates residential insurance premiums in NSW by an average of 18%, while non-residential premiums are artificially driven up by approximately 34%. [3] This creates a perverse public policy outcome: the state government is financially punishing individuals and business owners simply for doing the right thing.

By attaching this funding requirement directly to insurance policies rather than utilising a broad-based property mechanism, the system effectively treats household safety and financial resilience as luxury goods to be taxed, rather than civic necessities to be encouraged.

The consequences of this pricing distortion are severe, and recent national data highlights a rapidly accelerating crisis. According to the Australian Prudential Regulation Authority's (APRA) 2026 Insurance Climate Vulnerability Assessment, one in seven Australian households are now completely uninsured, with APRA explicitly warning that this "insurance protection gap" has a disproportionately high concentration in New South Wales and Queensland. [4] The ESL amplifies this, effectively acts as a man-made premium shock, inflicting the financial equivalent of a severe climate rating on everyday working families.

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[1] Australia's future tax system, Report to the Treasurer, May 2010.
[2] Ibid.
[3] NSW Government, New access to insurance data will drive emergency services funding reform, March 2024
[4] APRA, Mind the Gap: An Insurance Climate Vulnerability Assessment, 2026.

Furthermore, data from the Actuaries Institute reveals that a record 1.61 million households (15% of the market) are now classified as "affordability-stressed." These households are being forced to spend an average of 9.6 weeks of their gross annual income just to maintain home insurance. [5]

When the base cost of protection is artificially inflated by an 18% state tax, vital coverage is pushed completely out of reach. At a time when non-insurance presents massive fiscal risks to both state and federal governments during disaster recovery, maintaining a tax that actively drives families to abandon their insurance cover is deeply counter-productive. As extensive evidence has clearly shown, taxing insurance directly leads to lower uptake, leaving the most vulnerable populations exposed and ultimately shifting the disaster recovery burden back onto the taxpayer.

2.2 A Compounding Crisis

As we discuss insurance, it is important to remind ourselves that the price and availability of insurance are two of the economy's most effective signals of risk. The affordability of home and business insurance in Australia is currently under pressure, as the frequency and severity of natural disasters increases and stubborn inflation persists. The underlying cost of risk, and therefore the base insurance premium, is unavoidably rising.

Because the ESL is applied as a percentage on top of the base premium, the levy acts as a compounding multiplier. When a family's base premium increases due to localised climate risk or inflation, their ESL tax burden simultaneously spikes, regardless of whether their actual income has changed.

Crucially, this structure triggers a highly punitive "tax on a tax" cascade that rapidly accelerates the cost pressures on New South Wales residents. The taxation sequence is applied as follows:

1. The base insurance premium is calculated.
2. The ESL is added to the base premium.
3. The Commonwealth Government applies a 10% Goods and Services Tax (GST) to the combined total [Base Premium + ESL].
4. Finally, the NSW Government applies a 9% Stamp Duty on top of the entire combined amount [Base Premium + ESL + GST].

Consequently, the ESL does not simply add a flat fee to a household bill; it artificially inflates every subsequent layer of state and federal taxation. Recent data from the Insurance Council of Australia (ICA) confirms the severe financial reality of this cascade. While the ESL directly adds an average of $252 to a standard home and contents policy, the compounding effect of GST and Stamp Duty pushes the actual out-of-pocket tax penalty to $305 per household. For small and medium enterprises holding commercial building policies, this compounding tax penalty spirals to an average of $1,200 per policy. [6]

By forcing everyday working families and small businesses to pay a tax, on a tax, on a tax, the current funding model is actively driving localised inflation. It ensures that any increase in the baseline cost of the risk taken on by the insurer (e.g. from increased construction costs or similar) is then mathematically turbocharged by government.

2.3 Taxing Risk

Perhaps the most fundamental flaw in the current funding model is how the tax burden is distributed across the community. Because the ESL is calculated as a percentage of the underlying insurance premium, it operates effectively as a tax on risk.

This creates a deeply regressive and structurally unfair dynamic. Communities located in regional, outer-suburban, and disaster-prone areas, such as flood plains or bushfire zones, naturally attract higher base insurance premiums to reflect their localised peril risk. Consequently, the state government forces these households to pay a drastically higher dollar amount in emergency services taxes compared to those residing in lower-risk areas.

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[5] Actuaries Institute, Home Insurance Affordability and Home Loans at Risk, August 2024.
[6] Insurance Council of Australia, NSW insurance customers bear heavy burden of ESL, June 2024.

In practice, this means a working family in a high-risk regional town or a flood-exposed Western Sydney corridor is paying exponentially more to fund the state's emergency services than a wealthy household residing in a low-risk, affluent inner-city suburb.

This structural inequity has been explicitly condemned by economic authorities. The Australian Competition and Consumer Commission (ACCC), in its landmark inquiry into the insurance market, highlighted the severely regressive nature of applying percentage-based taxes to insurance premiums. The ACCC confirmed that because insurers must price for local perils, this taxation structure inherently forces consumers in high-risk regions to pay considerably more tax to the state government than consumers in lower-risk areas, exacerbating regional affordability issues. [7]

When we overlay this geographic risk with economic reality, the injustice compounds. Geographic mapping from the Actuaries Institute demonstrates that "affordability-stressed" households are heavily concentrated in regional and rural areas, where median incomes are lower, but natural hazard risks are highest. [8]

It is fundamentally unfair to fund a universal, state-wide emergency safety net by disproportionately taxing the vulnerable communities most exposed to natural disasters, communities that are already spending the highest proportion of their weekly income just to keep their homes protected. A modernised, equitable funding model must sever this link between disaster risk and taxation.

3 The Postcode Penalty: Mapping the Inequity

To move beyond theoretical economic principles, Suncorp has undertaken extensive internal demographic modelling to quantify the precise human impact of the ESL's structural inequity.

3.1 Methodology

Standard economic analyses often rely on broad regional averages that artificially blend extremes of hazard risk and wealth, masking the severe financial pain inflicted on highly exposed communities by the ESL.

To measure the actual human impact of this isolated tax, we established the following methodology:

- Hyper-Local Precision: We extracted the exact ESL amounts paid down to the Statistical Area Level 1 (SA1) boundary, based on Suncorp policies from the 12 months to 1 December 2025. Rather than relying on macro-averages of 100,000+ people, this maps the tax impact at the micro-community level.
- Income: We sourced the latest Australian Bureau of Statistics (ABS) data on weekly personal incomes to develop an average weekly income for each specific SA1.
- The Fairness Metric: Informed by the core conceptual framework of the Actuaries Institute's Insurance Affordability Index [9], we recalibrated the standard affordability metric to calculate the exact Working Days of Income to Pay ESL. This reveals precisely how many full days of hard labour are required for an average family in that specific micro-community simply to pay the tax.

To ensure the metric reflects the reality of a standard working week, we converted the baseline calculation of "weeks of income" into a 5-day working metric using the following formula:

$$\textit{Working Days to Pay ESL} = \frac{\textit{Average ESL Contribution}}{\textit{Average Weekly Personal Income}}$$

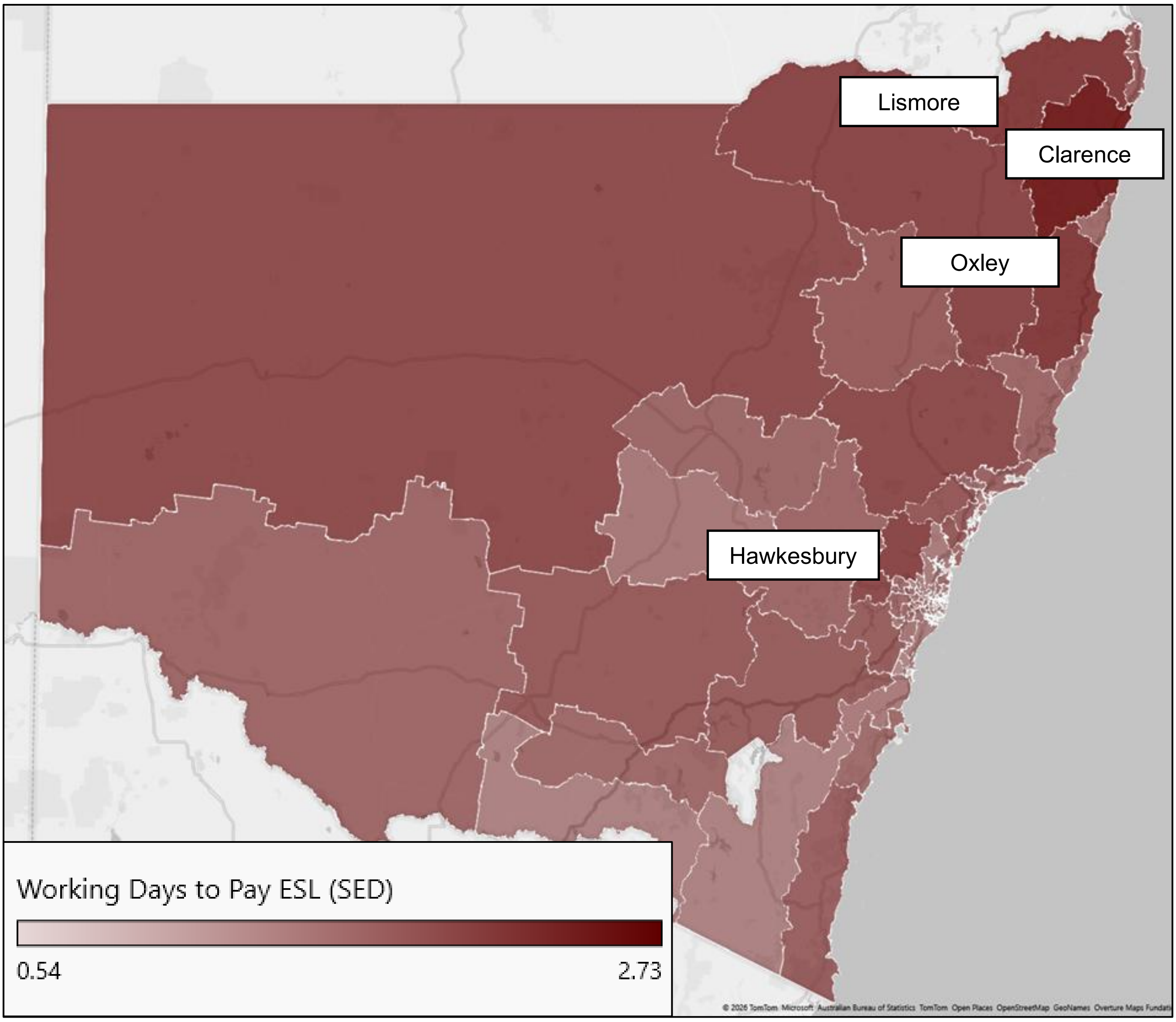
By measuring the effort required to pay, rather than just the raw expense, we bypass general macroeconomic debates. This metric mathematically exposes the ESL for exactly what it is: a severe geographic penalty that forces communities with the lowest capacity to pay to work significantly harder simply to fund a universal state service.

[7] ACCC, Northern Australia Insurance Inquiry, Final report. November 2020.
[8] Actuaries Institute, Home Insurance Affordability and Home Loans at Risk, August 2024.
[9] Ibid

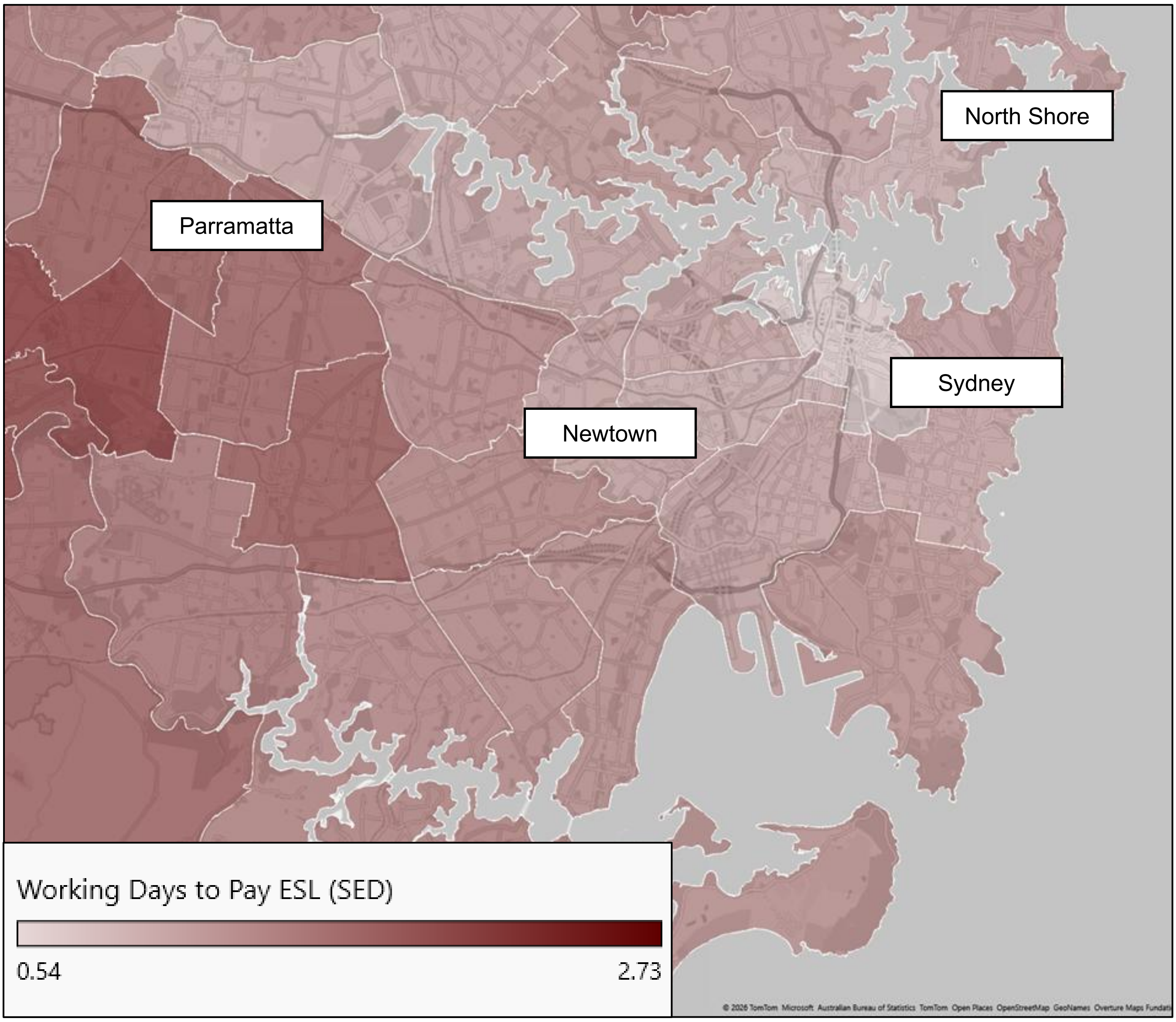
3.2 The Geographic Penalty in Action

Mapping this hyper-local data against State Electoral Districts (SEDs) exposes the structural failure of the ESL in stark terms. By ranking electorates based on the average Working Days to Pay ESL, the data reveals a highly regressive divide, proving the tax operates as a direct, systemic financial penalty on regional and outer-suburban communities.

Map 1A: State Intensity Map. Average working days of income to pay the ESL.



Map 1B: Sydney Metro Intensity Map. Average working days of income to pay the ESL.



The mapping exposes a double standard: while every citizen in New South Wales benefits equally from our emergency services, the financial burden of paying for them is drastically skewed against regional and outer-suburban electorates.

Table 1: The Disproportionate Burden, State Electorate Extremes

State Electoral District (SED)	Working days to pay ESL
The Highest Geographic Penalty (Most Effort Required)	
Clarence	2.7
Lismore	2.3
Oxley	2.3
Hawkesbury	2.2
The Lowest Geographic Penalty (Least Effort Required)	
Sydney	0.5
North Shore	0.7
Newtown	0.7
Parramatta	0.8

The data in Table 1 exposes a tax system hardwired for inequity. Constituents in Clarence are forced to sacrifice more than five times the amount of their hard-earned wages (2.7 working days) to pay this state tax compared to constituents in the seat of Sydney (0.5 working days).

Similarly, working families in the electorates of Lismore, Oxley, and Hawkesbury are surrendering well over two full working days of their annual income strictly to pay this tax. Meanwhile, residents in affluent, low-hazard electorates like North Shore and Newtown surrender less than a single working day of income.

Because insurers must price for the localised peril of floods, storms, and bushfires, the base premiums in electorates like Clarence and Hawkesbury are naturally higher. Consequently, the state government applies its percentage multiplier to a much larger base. The current funding model effectively demands that the specific electorates with the highest natural hazard risk and lowest capacity to pay carry the heaviest financial weight for maintaining a universal, state-wide safety net.

3.3 The Street-Level Reality

While the macro data exposes a systemic electoral divide, drilling down into specific, street-level micro-communities reveals the true human impact of this geographic penalty. To demonstrate the extreme disparity in the effort required to fund state emergency services, Suncorp has isolated real, hyper-local case studies across New South Wales.

3.3.1 Flood Exposures vs. Metropolitan Wealth

This highlights the profound disconnect between natural hazard exposure and capacity to pay. It contrasts highly exposed regional and flood-prone communities against some of the lowest-risk, highest-wealth postcodes in the state.

Comparison A

This comparison strips away the abstraction of tax policy. It proves that a working family situated near the Grafton Showground must surrender nearly an entire standard working week (4.7 days) of their wages strictly to pay this antiquated state tax. Conversely, a family near Forsyth Park in Neutral Bay surrenders just a fraction of a single day (0.3 days), roughly two and a half hours of labour, to access the exact same state-wide safety net.

Map 2: Grafton (Left), Neutral Bay (Right)

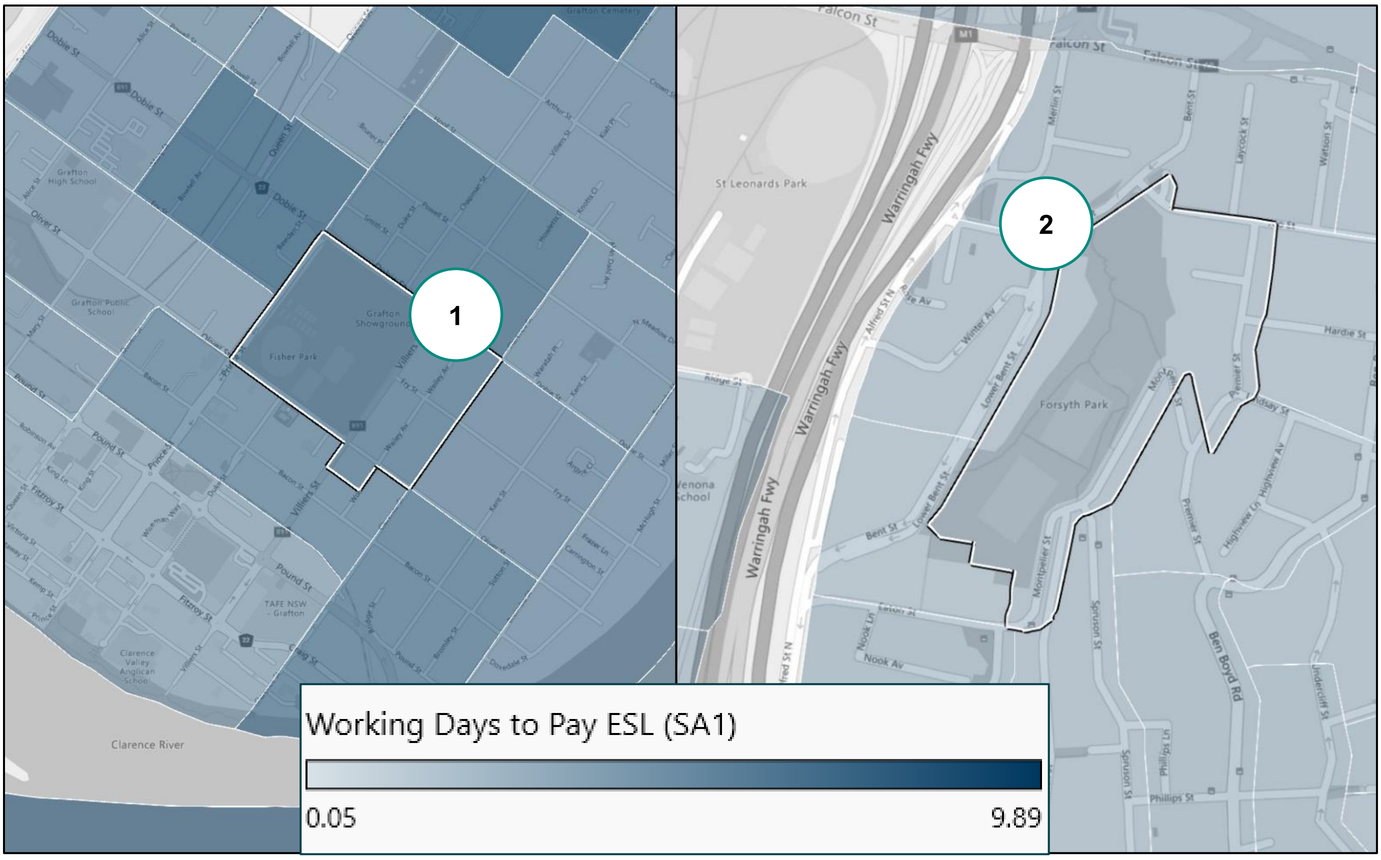


Table 2:

Location	Community	Working days to pay ESL
(1) Grafton	Around Grafton Showground	4.7
(2) Neutral Bay	Around Forsyth Park	0.3

Comparison B

When we look at flood-exposed communities on the Sydney fringe, the structural unfairness compounds. Working families living in flood-prone zones like South Windsor are surrendering virtually an entire standard working week (4.9 days) of their income strictly to pay this state tax. Meanwhile, residents near the proposed Woollahra station surrender one working day of their time to fund the identical safety net.

Map 3: South Windsor (Left), Woollahra (Right)

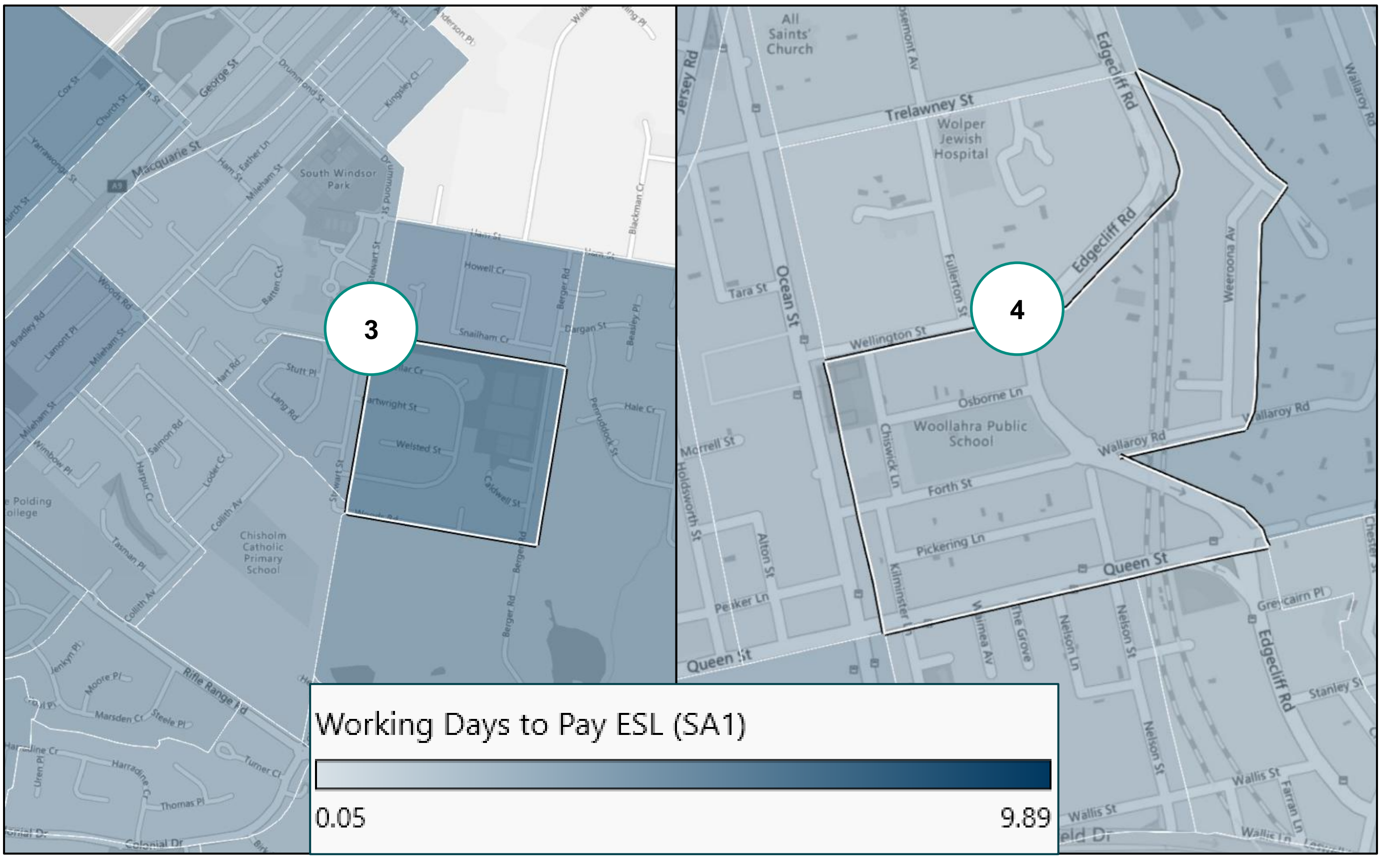


Table 3:

Location	Community	Working days to pay ESL
(3) South Windsor	Around McKellar Crescent	4.9
(4) Woollahra	Around proposed station	1

3.3.2 The Regions and Fringe vs. The Inner-City

This demonstrates how the geographic penalty operates closer to the metropolitan centre. It aggressively taxes developing outer-suburban fringes and major regional hubs, while actively sheltering the inner-city from the true cost of the emergency services network.

Comparison C

Major regional centres are critical to the state's economy, yet their residents face a punishing tax burden compared to their metropolitan counterparts. A working family living around Elbow Street in West Kempsey is forced to dedicate four and a half days (4.5 days) of their hard-earned wages strictly to pay this tax, whereas a family off Crown Street in Surry Hills contributes less than a single working day (0.9 days).

Map 4: West Kempsey (Left), Surry Hills (Right)

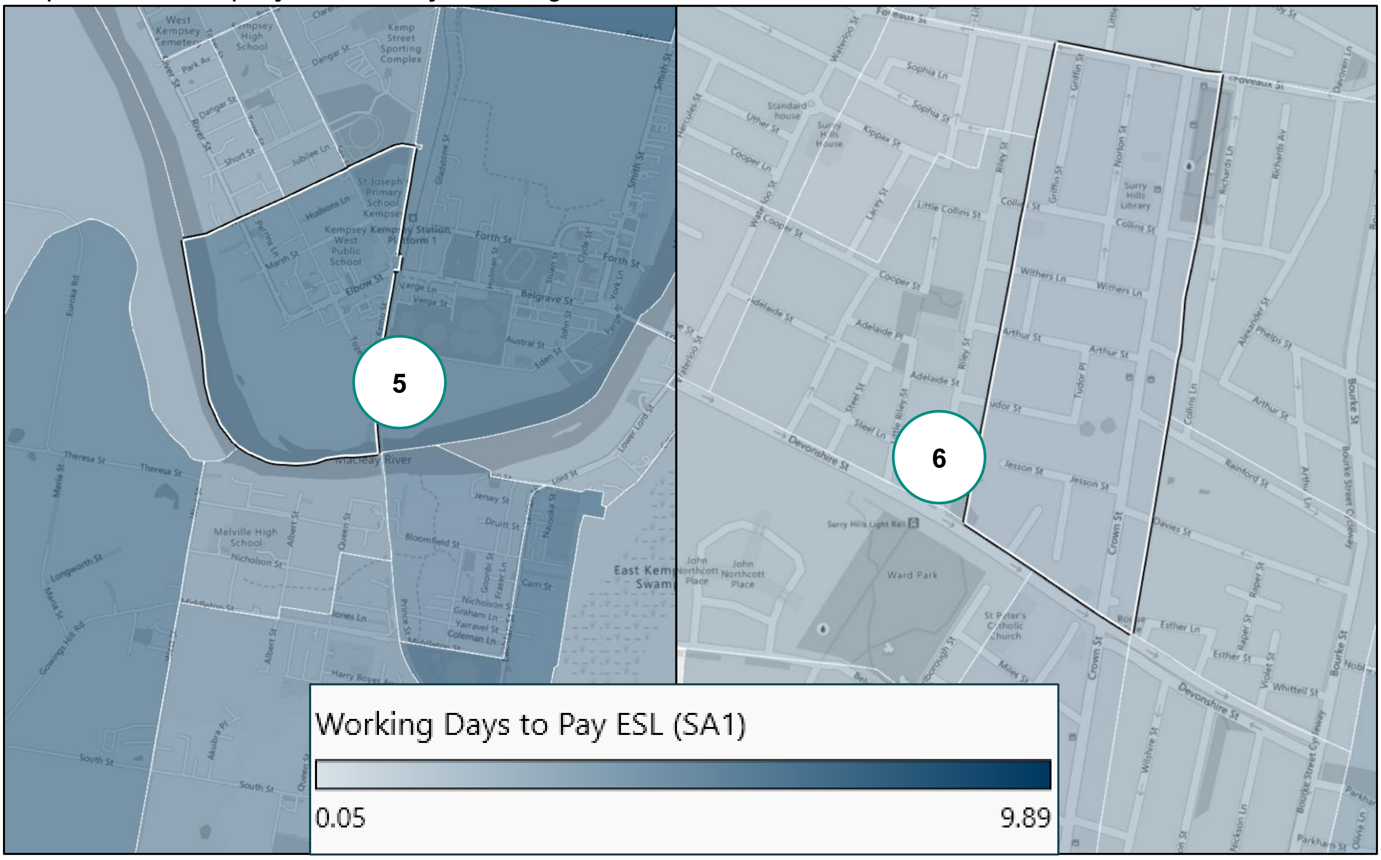


Table 4:

Location	Community	Working days to pay ESL
(5) West Kempsey	Around Elbow Street	4.5
(6) Surry Hills	Around Crown Street	0.9

Comparison D

As Sydney expands, the tax code actively penalises families moving into developing suburban fringes. Residents in highly populated outer-ring suburbs like Panania and growing fringe developments like Tahmoor are surrendering around three full working days (2.9 days and 3.1 days, respectively) of their wages just to pay this tax. Conversely, residents just a few kilometres away in the established inner-city suburb of Newtown surrender less than a single working day (0.8 days) to fund the exact same system.

Map 5: Panania (left), Tahmoor (Centre), Newtown (Right)

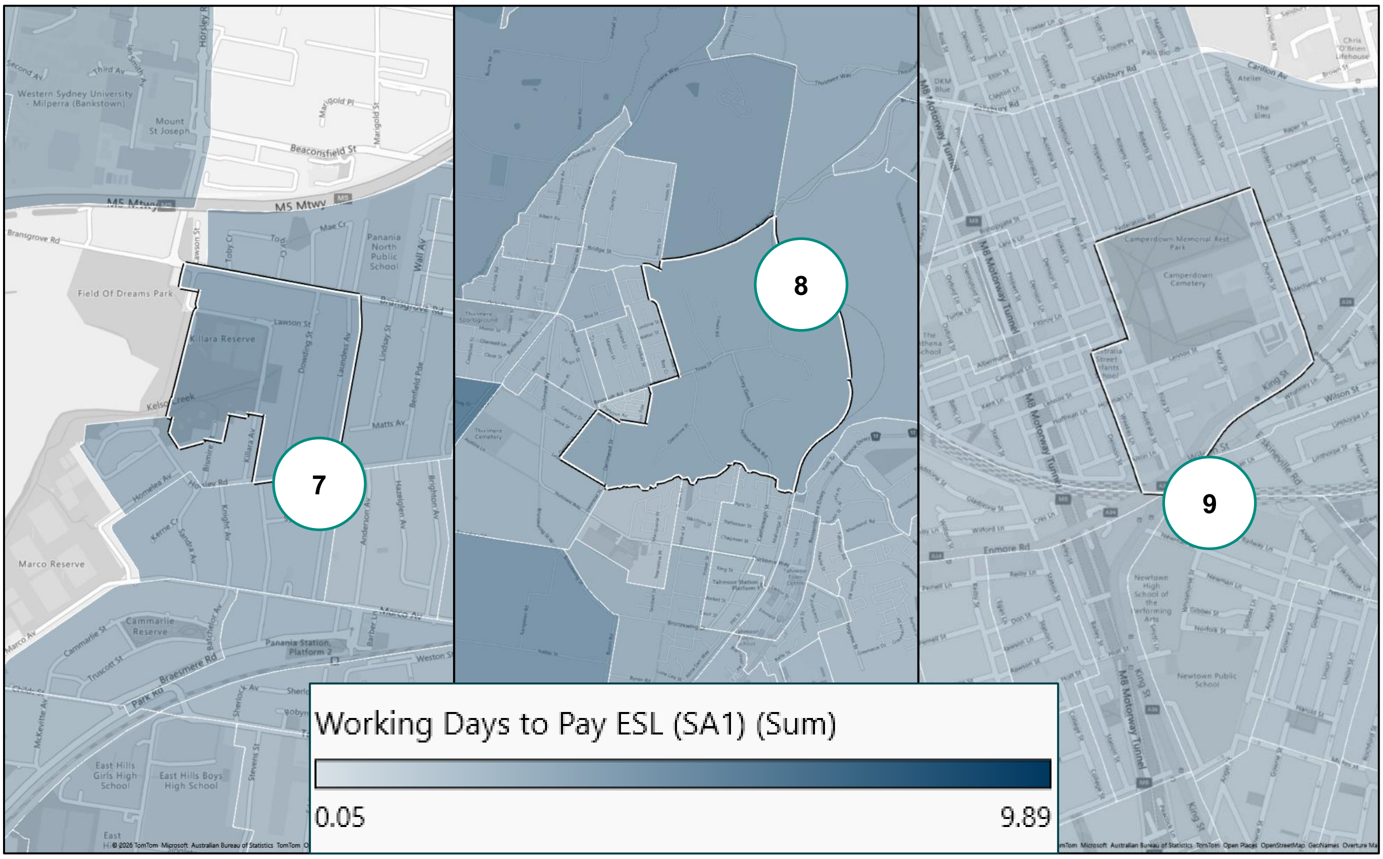


Table 5:

Location	Community	Working days to pay ESL
(7) Panania	Around Killara Reserve	2.9
(8) Tahmoor	Around Grey Gum Place	3.1
(9) Newtown	Around Camperdown Cemetery	0.8

4. The Path Forward: A Sustainable Replacement Model

The data presented in this submission demonstrates that the current insurance-based Emergency Services Levy is, at its core, a fundamentally flawed state tax. By shifting the analytical lens to isolate the exact tax burden, the true human cost becomes undeniable: this system actively forces working families in highly exposed regional and outer-suburban communities to surrender days of their hard-earned wages, while sheltering affluent households who contribute for only a matter of hours.

Reform is not merely an economic imperative; it is a matter of basic geographic and social fairness. The NSW government must remove this regressive tax and replace it with a fairer, more sustainable funding model. Transitioning to a broad-based replacement model is the only viable way forward to permanently resolve this systemic inequity.

Suncorp supports the ongoing work of the Insurance Council of Australia (ICA) in developing this sustainable replacement model and endorses the ICA's overarching submission. We are committed to working collaboratively with both the industry and the NSW Parliament to ensure a replacement model is designed that fully funds our critical emergency services without punishing policyholders.

Designing a Principles-Based Replacement Model

As the Parliament evaluates potential replacement models to succeed this tax, Suncorp asserts that any successful transition must be anchored in the core principles outlined in the options paper: **cost recovery, equity, efficiency, simplicity, and sustainability.** However, achieving these goals requires a careful balance to ensure that structural simplicity does not inadvertently compromise fairness:

- **Nuanced Tiering Over Blunt Categories:** "Simplicity" must not come at the expense of "equity." A highly consolidated structure, such as a rigid four-tier system, may appear simple on paper but risks creating blunt cliffs. Conversely, a ten-tier system can remain perfectly simple for the public to understand and for revenue authorities to administer, while allowing for the precise nuance required to ensure equitable outcomes.
- **Prescribed and Structured Transition:** Transition arrangements must be explicitly structured to maintain market stability. The Insurance Monitor (IPART) should prescribe the ESL rate for all insurers and taper it down systematically over a defined period. This transparent, managed wind-down will avoid the inconsistent, disjointed approach that undermined the 2017 reform attempt.

The Fairness Mandate: Protecting Vulnerable Cohorts

The ultimate test of any replacement model will be its capacity to distribute the funding burden fairly. Moving away from the current insurance-based model must ensure that those with the greatest capacity to pay contribute their fair share, while actively shielding the state's most vulnerable cohorts from undue financial distress.

Suncorp asserts that a fair, broad-based replacement model must include targeted, proportionate relief mechanisms. This ensures that cohorts with limited financial capacity to absorb new baseline living costs, such as fixed-income households, essential community entities, and asset-rich but income-poor primary producers, are shielded without undermining the universal revenue base required to fund the system.

The abolition of the insurance-based ESL represents a generational opportunity to remove a deeply regressive tax code. Suncorp remains committed to supporting the government and Parliament to design a replacement model that honours these principles, ensuring that the vital funding for our shared emergency safety net is distributed fairly across the entire community.