Submission No 71

EMERGENCY SERVICES FUNDING REFORM

Organisation: National Insurance Brokers Association

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National Insurance Brokers Association

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Emergency Services Funding Reform
Legislative Assembly Select Committee
6 Macquarie Street
Sydney NSW 2000

By online submission

Re: Emergency services funding reform — Options paper (April 2026)

Dear Chair,

The National Insurance Brokers Association (NIBA) welcomes the opportunity to respond to the *Emergency Services Funding Reform — Options Paper*. NIBA has advocated for the abolition of the insurance-based Emergency Services Levy (ESL) for more than fifteen years, across every relevant State and Commonwealth inquiry. We strongly support the Government's commitment to remove this levy, and we commend NSW for progressing a reform that the rest of mainland Australia completed years ago.

Our members—the insurance brokers who calculate, collect, and pass on the ESL with every policy they arrange—operate at the point where this levy contacts the policyholder. This gives NIBA a unique role. This submission advocates for the abolition in principle, outlines the design features that will ensure the new levy is fair and sustainable, and, most importantly, draws on members' practical experience to demonstrate how the transition can be managed smoothly so that consumers, not confusion, is the outcome.

We welcome the opportunity to discuss any part of this submission, including the transition mechanics where our members' practical experience is most valuable.

Yours sincerely,

Richard Klipin
Chief Executive Officer
National Insurance Brokers Association

National Insurance Brokers Association

SUBMISSION

Summary of recommendations

1. **Abolish the insurance-based ESL and complete the transition to a broad-based property levy.** All five options in the paper achieve the essential reform — severing the link between funding emergency services and buying insurance. NIBA supports the Government proceeding without further delay.
2. **Adopt a land-value-based levy with finely graduated tiers.** Use capital-improved or unimproved land values as the revenue base, with enough tiers (a more graduated structure than the four-tier options) to avoid sharp jumps in liability at threshold boundaries.
3. **Differentiate the levy by property type, not by geographic location.** Residential, commercial and primary-production property should attract different rates; geography should not, because emergency services protect communities across the State.
4. **Remove council emergency services contributions at the same time.** Property owners must not pay twice — once through the new levy and again through council rates.
5. **Build in equity and cohort protections.** Concessions, hardship provisions, deferral and flexible instalments for pensioners and low-income households (limited to the primary residence); and targeted protection for the cohorts who feel a new levy most — small businesses, primary producers, and first home buyers — with attention to how the levy flows through to tenants.
6. **Fund on a rolling triennial basis.** Smooth the levy across years so that periodic capital spikes do not produce volatile year-to-year charges, and legislate transparency so the levy cannot quietly escalate once it is decoupled from insurance.
7. **Mandate a clean, signposted transition.** Set a clear cessation date (or a clearly signposted phasing), give insurers and brokers adequate systems lead-time, and confirm the refund methodology in advance.
8. **Direct any ESL refunds through a clean, per-policy instruction rule** — "refund all ESL collected from [date]," with brokers refunding clients on their own per-policy calculations — and not by handing brokers a lump sum to divide.
9. **Recognise and protect against broker transition exposure.** Brokers bear uncompensated trust-account and adjustment risk as the collecting agents; the framework should ensure they are not scapegoated for transition-period pricing concerns, and should empower the IPART Insurance Monitor to oversee over-collection at the system level.

About NIBA

The National Insurance Brokers Association is the peak representative body for the insurance broking profession in Australia. NIBA represents approximately 380 member firms and more than 14,000 individual brokers, ranging from large multinational broking houses to regional and suburban small businesses serving local communities across NSW.

Insurance brokers act for their clients, not for insurers. They are licensed under the *Corporations Act 2001*, operate under an Australian Financial Services Licence, hold professional indemnity cover consistent with ASIC Regulatory Guide 126, and are bound by the Insurance Brokers Code of Practice. The profession is built on three pillars — advocacy, professionalism and community — and exists to add value for clients through expert advice, placement and claims support.

Brokers are also the parties who, on behalf of insurers, calculate and collect the ESL on the policies they place, and who reconcile and refund it when policies change. This submission is informed directly by that operational experience.

Why this reform matters — for policyholders and the system

NSW is now the only mainland Australian State that still funds its fire and emergency services through a tax on insurance. Queensland (1984), South Australia (1999), Western Australia (2003), Victoria (2013), and the ACT have all shifted to property-based funding. The Government committed to abolishing the ESL in November 2023, and the Emergency Services Levy Insurance Monitor Act 2024 established IPART as the Insurance Monitor to oversee the transition. The direction of travel is clear and welcome; the task now is to implement a simple, well-designed reform rather than a partial or postponed one.

The case for abolition is based on three long-standing failures of the insurance-based model — failures that hit hardest on households and small businesses least able to absorb them.

It is inequitable. Every property owner benefits from fire and emergency services, but under the current system, only those who insure pay for them. Property owners who self-insure, use captives or mutual arrangements, or simply go without contribute nothing — while still accessing the same services. This shifts the financial burden onto the insured, especially onto those least able to avoid it.

It is inefficient. Insurance taxes have been criticised by successive independent inquiries — IPART, the Henry Review of Australia's Future Tax System, and the HIH Royal Commission among them — as some of the most distortionary and least efficient taxes imposed on the States. Collection is administratively challenging: insurers cannot determine their correct obligation until well after the year-end, and the levy operates seasonally, disadvantaging policyholders who renew in the second half of the funding year.

It drives underinsurance and non-insurance. The ESL is one of the largest components of a NSW insurance premium after the underlying peril risk. The paper itself estimates that the ESL adds about 18% to residential premiums and around 34% to non-residential premiums on average — and stamp duty and GST then build on top of that inflated base, so the total tax-on-tax burden can reach up to 70% on commercial property cover. Clients see the total cost, not the net premium. NIBA's members report — consistently, across years of advocacy — that this is pushing clients to reduce sums insured or leave the market altogether. Nationwide, NIBA's analysis of industry data shows an estimated 26% of small and medium enterprises hold no general insurance, rising to around 40% of sole traders. Every exit increases the burden on those who stay — creating a structurally unstable model as climate-driven risk costs continue to rise.

The reform is more than just a tax swap; it benefits the economy and society. The paper estimates that replacing the ESL would boost the NSW economy by about $1.8 billion, help roughly 125,000 households escape severe insurance-affordability issues, and bring around 20,000 additional households into building and contents cover. About 55% of insured properties would pay less in levies than they do now. Tax reform is the most effective affordability tool the NSW Government can directly control — it cannot eliminate the risk climate change adds to premiums, but it can put an end to taxing the responsible choice to insure against it.

Recommendation 1 — Abolish the ESL and complete the transition

NIBA strongly supports ending the insurance-based ESL and replacing it with a broad-based property levy where all property owners share the cost of funding the emergency services they all benefit from.

This has been NIBA's consistent position since 2009, expressed across State and Commonwealth inquiries without change. All five options in the paper achieve the key reform — they cut the link between funding emergency services and the decision to insure. On that main point, NIBA is clear: the Government should proceed.

NIBA's key contribution is therefore not about *whether* to reform, but *about how* — including the design of the replacement levy and the mechanics of the transition.

Recommendation 2 — A land-value base with finely graduated tiers

NIBA recommends a levy based on capital-improved or unimproved land values, designed with enough tiers to prevent sudden increases in liability at threshold boundaries.

Land value serves as a reasonable proxy for the ability to pay and is already incorporated into the council valuation system, making it administratively efficient. NIBA prefers using capital-improved or unimproved land values over gross rental values or a flat fixed charge, as these options better align with principles of equity and simplicity.

Regarding tier structure, NIBA's concern is fairness at the margins. The four-tier options (A and B) risk creating material liability "cliffs," where a small difference in land value pushes a property into a higher tier and results in a disproportionately higher charge. A more gradual structure — like the six-tier approach in Option C, or an even finer gradation — better reflects capacity to pay and reduces the perception of arbitrariness that can erode public confidence in a new levy. NIBA notes that this view is shared across the wider insurance sector.

NIBA also warns that land value alone does not accurately reflect capacity to pay: a higher land-value threshold or an additional measure may be necessary so that asset-rich but income-poor owners — for example, long-term residents in areas where land values have risen sharply — are not unfairly burdened.

Recommendation 3 — Differentiate by property type, not geography

NIBA recommends that the replacement levy be differentiated by property type — residential, commercial, and primary production — but not by geographic location.

Different property classes rely on emergency services differently and have different capacities to contribute, so differentiating by property type (including higher rates for high-risk commercial properties and vacant land) is justified. Geographic differentiation, however, is not. Emergency services protect communities across the entire state and do not adhere to strict geographic boundaries. Geographic loading risks penalising regional and bushfire-prone communities that depend most heavily on these services. NIBA recognises that this raises a genuine fairness concern — higher-risk areas often have lower land values and lower-income residents — and we welcome the chance to work through how a property-type model can be calibrated to address this.

Mixed-use and strata properties require special attention. When a single scheme involves components with very different value and risk levels, NIBA recommends that the levy be based on the higher-value, higher-risk parts instead of distributing costs evenly across all lots. This ensures the charge accurately reflects the risk it is intended to cover and prevents lower-value residential lots from bearing an unfair burden.

Recommendation 4 — Remove council contributions simultaneously

NIBA recommends that council contributions to emergency services funding be discontinued when the property levy is introduced.

Local councils currently contribute about 11.7% of emergency services funding, which is recovered through council rates. If a new property levy is introduced without removing this contribution, property owners will end up paying twice — once via the levy and again through their rates. Reform should replace existing funding sources instead of adding to them.

Recommendation 5 — Equity and cohort protections

NIBA recommends that the replacement levy be accompanied by targeted protections for the households and businesses least able to absorb a new charge — including pensioners, low-income households, small businesses, primary producers, and first home buyers.

A property-based levy targets owners who currently pay nothing, which is the purpose of the reform — but the transition must not cause new hardship for those it aims to assist. NIBA recommends:

- **Pensioners and low-income households** — concessions are limited to the primary residence (excluding investment or commercial holdings), including hardship provisions, deferral options, and payment by instalment to prevent lump-sum shocks. We note and support the paper's acknowledgment of pensioner and vacant-land concessions.
- **Small businesses** — explicit protection through phased implementation, caps, or hardship measures is essential. Small businesses are among those most affected by the current levy, and high insurance costs of this kind significantly contribute to underinsurance — as noted above, 26% of SMEs and 40% of sole traders already have no general insurance. Broadening the contribution base is precisely how their burden can be reduced. Protecting them during the transition ensures the reform provides relief rather than causing a transition shock that could lead more of them to drop cover.
- **Primary producers** — tailored treatment reflecting their distinctive asset structures and risk profiles, including high-value plant and land and direct exposure to the bushfire and flood risks the emergency services exist to address, so that farmers are not disadvantaged by a model designed around residential and commercial property.
- **First home buyers and tenants** — temporary concessions to reduce the upfront cost for first home buyers and consideration of how the levy is passed on to renters, so the reform doesn't simply shift costs onto tenants who have no assets against it.

These protections preserve the reform's commitment to fairness. They are targeted concessions and transitional relief — not blanket exemptions from the new base, which the reform maintains intact. The aim is to distribute the cost of emergency services fairly among those who benefit, rather than to favour one group at the expense of another.

Recommendation 6 — Triennial funding and a guard against escalation

NIBA recommends that the levy be funded on a rolling three-year basis and that transparency safeguards be legislated so the levy cannot quietly increase once decoupled from insurance.

Emergency services capital expenditure is uneven; funding the levy on a single-year basis would transfer that volatility directly to property owners. A rolling triennial funding model spreads the charge over several years and provides owners with greater predictability.

NIBA also highlights a risk based on interstate experience. Once a levy appears on a rates notice rather than being hidden in a premium, it becomes more visible and accountable — a real benefit of this reform. However, the same mechanism can also make the levy an easy way to boost revenue. In Victoria, the levy that replaced the insurance-based fire services levy has faced ongoing criticism for increasing over time without a matching rise in emergency-services funding. NSW is in a good position to establish that discipline from the start — and to implement this reform more smoothly than Victoria did. NIBA recommends that the legislation explicitly link the levy to the actual cost of the emergency services it supports, with the rate and funding target published annually, ensuring the reform provides the affordability benefits it promises and maintains public trust.

Recommendations 7–9 — A clean transition: the broker's experience

This is where NIBA's members can provide the most value. Brokers are the parties responsible for collecting and passing through the ESL, as well as calculating and processing its removal. The following recommendations are based directly on members' operational experience and aim to make the transition practical — not just theoretically feasible.

Recommendation 7 — Set a clear cessation date with sufficient lead-time for system updates.

The transition can be managed smoothly, but only if its parameters are well-defined and confirmed beforehand. NIBA suggests establishing a definite cessation date for the ESL (or a clearly signposted phased step-down), well in advance to allow insurers and brokers time to update systems, reprice policies, and inform clients. A poorly signposted or abruptly timed change risks gaming — policies being cancelled and rewritten to fall around the cut-off — and causes customer confusion, which brokers have to handle directly.

A phased step-down offers benefits in lowering pricing shocks and over-recovery risk, as long as the step-down rate is set by the government and consistent across insurers to prevent competitive distortion or volatility on the broker side. Whatever option is chosen, having a clear timetable is the most important aspect of the design.

Recommendation 8 — Implement a clear, policy-based refund instruction rule.
Where ESL already collected must be refunded, the method must be specified by the authority ahead of time. NIBA members emphasise that a refund is straightforward when the authority issues a simple rule — "refund all ESL collected from [date]" — and brokers refund clients based on their own calculations per policy. It becomes impractical if the authority instead provides brokers with a lump sum to distribute among clients.

Members confirm—unanimously—that broker back-office and broking platforms already record ESL at the individual-policy level in dedicated levy fields. The systems are in place; what is needed is a clear instruction, not a complete overhaul. NIBA also highlights that a structured reconciliation process already operates successfully for ESL on placements with authorised foreign insurers (the Australian Fire Brigade Services scheme administered by PwC, which balances over- and under-collection at scheme level). This provides concrete proof that a structured, auditable transition can be managed smoothly.

Recommendation 9 — Recognise and protect against broker exposure.

Brokers bear genuine, uncompensated downside risk during the transition. As collecting agents, they are targeted by authorities when collections are later challenged, and members report absorbing six-figure adjustments from consolidated revenue due to cancellations, broker changes, and recalculations — a direct trust-account exposure. The reform framework should explicitly recognise this exposure, ensure brokers are not scapegoated for transition-period pricing strategies outside their control, and empower the IPART Insurance Monitor to oversee over-collection and price-exploitation risks at the system level, rather than leaving individual client-facing brokers to manage them. Protecting brokers throughout the transition is not an end in itself: when transition costs and disputed adjustments fall on brokers serving NSW policyholders, it results in reduced service, weakened competition, and costs that ultimately impact consumers. A fair transition for brokers is one that safeguards the people they represent.

A note on the residual insurance-tax burden

Abolishing the ESL is the most significant step NSW can take to reduce the tax burden on insurance, but it is not the only one. Stamp duty on insurance remains, and GST still applies. Nationally, NIBA's analysis of industry data shows that State and Territory governments collected about $8.9 billion in insurance taxes in 2024–25 — roughly $1.6 billion more than the entire cumulative profits of the general insurance industry — and that these taxes add between 9% and 40% to the cost of a premium depending on the State and type of cover. NIBA urges the NSW Government to see ESL abolition as the first and most crucial step in a broader plan to remove taxes that penalise responsible risk management, and we welcome the chance to contribute to that effort.

Conclusion

NIBA strongly supports ending the insurance-based ESL and praises the Government for advancing a reform that has been long overdue and is economically sound. The reform will lower premiums, reduce affordability pressures for tens of thousands of households, and increase coverage—while fairly sharing the cost of emergency services among those who benefit from them.

The remaining design choices are genuine but manageable, and NIBA's members are prepared to assist. Our unique contribution focuses on the transition: brokers will handle the removal of this levy locally, and their experience demonstrates it can be done smoothly — with a definite cessation date, a straightforward per-policy refund procedure, sufficient systems lead-time, and clear acknowledgment of the exposure brokers bear. We welcome the chance to collaborate with Treasury and the Insurance Monitor to ensure the transition benefits the people it aims to serve: NSW policyholders.