

CLIENT ALERT

NSW GOVERNMENT DEFERS INTRODUCTION OF FIRE AND EMERGENCY SERVICES LEVY

Marsh has previously advised that, from 1 July 2017, a new levy would be introduced on property owners via council rates to fund fire and emergency services in NSW. Known as the Fire and Emergency Service Levy (FESL), this new funding model would replace the existing levy collected on NSW property insurance policies.

On 30 May 2017, the NSW Government announced that it will defer the introduction of the FESL. The deferral is to ensure small to medium businesses do not face an unreasonable burden in their contribution to the state's fire and emergency services. It was noted that while the majority of fully insured policyholders would be better off under the new system, some businesses were facing unintended consequences.

The NSW Premier, Gladys Berejiklian, said during the announcement "While the new system produces fairer outcomes in the majority of cases, some people – particularly in the commercial and industrial sectors – are worse off by too much under the current model, and that is not what we intended."

The NSW Government has stated its intention to work with local government, fire and emergency services, the insurance industry and other stakeholders to review the policy. During this time, the levy will continue to be collected via insurance premiums.

IMPLICATIONS OF THE DEFERRAL

Insurance companies have been preparing for the transition to a property levy for more than a year and insurers were reducing the amount of ESL they collected, with some having altogether ceased collection in readiness for the 1 July 2017 cessation of the ESL.

Since the announcement of the deferral, most insurers have been adopting a 'wait and see' approach for June renewals until further consultation between the NSW Government and the insurance industry progressed.

It is not clear yet what will happen in relation to the levy on insurance premiums after 1 July 2017, when the new funding model was due to start. At this time, indications are that the government will want to reinstate the ESL on insurance premiums but how this might occur, what the size of the levy might be and when this might commence is unknown. It is expected the government will introduce legislation to make the **necessary legal changes in the week commencing 19 June.**

NEXT STEPS

Since the announcement on 30 May 2017, Marsh has been liaising with key industry stakeholders, including the National Insurance Brokers Association and various insurers.

Insurance industry representatives will shortly be meeting with the NSW Government to discuss this matter. Marsh will be attending this consultation and expects to be able to provide further information as it comes to hand.

We are very closely monitoring the situation and will keep clients closely informed of developments.

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