



STRATA COMMUNITY
INSURANCE

Strata Owners to Benefit from Tax Savings on Insurance

The Strength of Experience.

A fairer system for NSW Emergency Services funding: Levies to be removed from insurance contracts.

In what is a historical and significant win for lot owners and bodies corporate of strata schemes across the State, the NSW Government has recently announced it will abolish the Emergency Services Levy (ESL) currently applied to insurance policies.

Currently, Government-imposed taxes, duties and levies increase the cost of insurance policies in NSW by as much as 45%.¹ This inequitable and inefficient system of taxation punishes those seeking to mitigate their own risk. Removing the ESL – which itself adds some 20% to the cost of the average insurance policy – is a terrific start in terms of reform, with Government modelling estimating that average property insurance premiums will fall by around \$200 on average every year under the change. Savings for compulsory body corporate insurances should, realistically, be even more significant.

This long overdue reform will be effective 1 July 2017, when the current ESL will be discontinued to make way for a broader property-based levy to be paid alongside council rates, collected by local government on behalf of the State.

Under the current funding model, those in NSW with property insurance are effectively subsidising others who fail to purchase building or contents insurance. This disproportionately impacts on owners in strata because of the compulsory nature of body corporate insurances. The transition to a property-based levy will spread the burden of fire and emergency services funding to all landowners in NSW, rather than placing it solely on those with property insurance.

The move will also finally bring NSW into line with all other States and Territories, and importantly is expected to significantly contribute to alleviating widespread problems of non-insurance and underinsurance. As noted by NSW State Treasurer Gladys Berejiklian in the Government's December announcement: "*This fairer model for funding fire and emergency services will*

reduce the cost of insurance and encourage more people to insure their properties."²

The Government has committed to now undertaking extensive community consultation with key stakeholders including the insurance industry and local government, with legislation enacting the reforms to be introduced in the first half of 2016. The Government will also appoint Professor Allan Fels AO as Emergency Services Levy Insurance Monitor, to ensure that insurers pass on cost savings to consumers.

Strata Community Insurance and its principals have consistently lobbied for this change over a number of years, and are pleased to now be able to share this good news with NSW strata managers.

At the same time, there remains more work to be done. Insurance premiums nationally are still inflated by a 10% GST and stamp duties of between 9-11%. This is despite repeated calls – including from the Productivity Commission and as part of the Henry Tax Review – advocating moves to more efficient broad-based taxes. Strata Community Insurance has and will continue to lobby for changes that are in the best interests of the strata community in NSW.

For more information about the changes, please refer to the following links:

NSW Government Announcement:

<https://www.emergency.nsw.gov.au/media-releases/2015/nsw-moves-to-a-fairer-system-for-funding-fire-and-emergency-services.html>

Insurance Council of Australia media release:

http://www.insurancecouncil.com.au/media_release/plain/343

¹ Insured households to win from NSW Government scrapping the Emergency Services Levy (Media Release): Insurance Council of Australia; 10 December 2015.

² NSW moves to a fairer system for funding fire and emergency services (Media Release): Minister for Emergency Services; 10 December 2015.