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## Information Sheet - Changes to the NSW Emergency Services Levy

The New South Wales Government has announced changes to its approach to fund emergency services and indicated that from 1 July 2017, the law will be changed to:

- remove the Emergency Services Levy charged on insurance policies (“ESL”); and
- replace ESL with an Emergency Services Property Levy (“ESPL”) which will be paid by property owners alongside local council rates.

### Effect Changes on Insurance Premiums

While there are many factors that affect the calculation of your base premium, the removal of the NSW ESL component from the amount payable reduces the cost of insurance for property located in NSW. As a result, relevant AIG Australia policyholders should see a reduction in the total insurance cost payable from 1 July 2017.

To provide an indication of the effect the removal of ESL may have on the total cost of an insurance policy, we have prepared the following hypothetical example.

	Premium and charges prior to 1 July 2017		Premium and charges from 1 July 2017	
	Rate	Premium	Rate	Premium
Base Premium		\$1,000.00		\$1,100.00
NSW ESL	40%	\$ 400.00	Nil	Nil
GST	10%	\$ 140.00	10%	\$ 110.00
Stamp Duty	9%	\$ 138.60	9%	\$ 108.90
Total Cost		<b>\$1,678.60</b>		<b>\$1,318.90</b>

Notes:

1. The rate of ESL in the period prior to 1 July 2017 will vary according to the date the policy incept or is renewed.
2. The 40% ESL rate and the 10% increase in base premium are examples for illustrative purposes only. The base premium increase of \$100.00 (or 10%) is designed to illustrate that base premiums change from year to year.
3. The example assumes no changes have been made to the policy that affects the base premium.
4. Removal of the ESL also results in savings of GST and Stamp Duty on the ESL charge.

### Will the cost of my insurance policy fall from 1 July 2017?

Insurance premiums are reviewed regularly and while there are many factors that influence premiums most policyholders in NSW should see a fall in the cost of the overall total amount payable as a result of the removal of ESL.

### ESL Rate Tapering

The ESL rates charged by AIG Australia are being tapered during the final transition year culminating in abolition of ESL on 1 July 2017. The tapering process involves raising ESL rates during the first part of the transition year and tapering down over the course of the year; potentially down to zero.

Tapering is implemented to ensure an equitable approach to charging ESL to policyholders (and subsequently to rate payers).

### Further Information

Further information on the Emergency Services Levy Reform and the removal of the ESL can be found at: [www.eslinsurancemonitor.nsw.gov.au](http://www.eslinsurancemonitor.nsw.gov.au)

If you would like information specific to your insurance policy please contact your insurance broker.

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