



IPART | Emergency Services Levy
Insurance Monitor

Quarterly Report

October 2024

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

Tribunal Members

The Tribunal members for this review are:

Carmel Donnelly PSM, Chair

Dr Darryl Biggar

Jonathan Coppel

Sharon Henrick

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The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from [IPART's website](#).

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1 IPART's role as Insurance Monitor

1.1 Who are we and what is our role?

The Independent Pricing and Regulatory Tribunal (IPART) has been appointed as the NSW Emergency Services Levy Insurance Monitor (Insurance Monitor) to oversee the transition of the Emergency Services Levy to a new model for funding NSW emergency services. These services are currently mostly funded by levying insurers who pass on the cost to policy holders through a surcharge on insurance premiums.

As Insurance Monitor, IPART will empower consumers during the transition by providing information and expert oversight of insurance pricing to keep the insurance industry accountable for effectively removing the Emergency Services Levy from premiums.

IPART is an independent, strategic agency of NSW Government. We provide the people of NSW and Government with confidence that services, markets and systems are functioning efficiently and effectively, and in the public interest. We have deep expertise in price monitoring and regulation for effective social, environmental and economic outcomes. Our functions span across sectors, including energy, water, local government and transport. We bring these skills and experience to our role as the Insurance Monitor.

IPART is chaired by Carmel Donnelly PSM and each of the 4 Tribunal members is appointed by the Premier. The Tribunal is supported by a Secretariat which will provide the staffing for the Insurance Monitor function.

1.2 What is the emergency services funding reform?

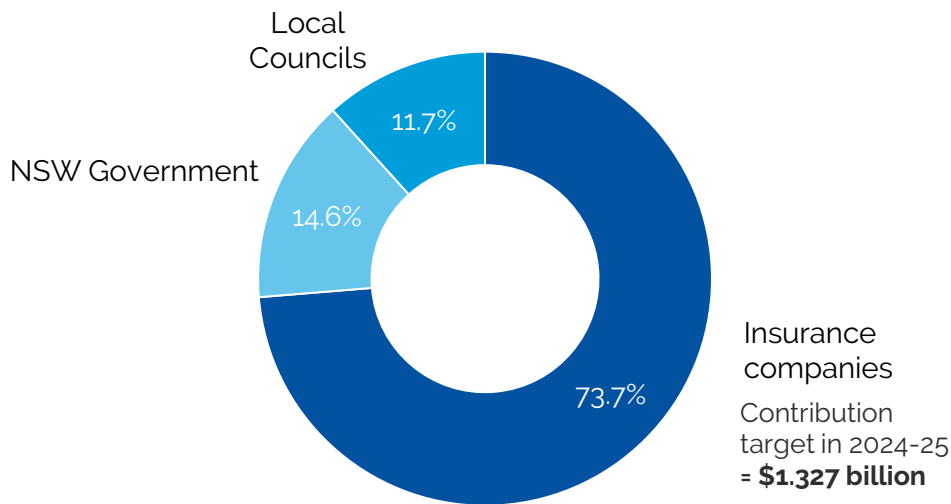
On 16 November 2023, the Premier, Treasurer and Minister for Emergency Services jointly announced the NSW Government's intention to reform the current emergency services funding model.¹

Currently, NSW State Emergency Services, NSW Rural Fire Service and Fire and Rescue NSW are mostly funded by levying insurers. Figure 1.1 below shows that insurers contribute to 73.7% of the estimated costs to fund NSW emergency services.² The Government has stated that it intends for the reform to create a state-wide contribution to emergency services funding which would replace the Emergency Services Levy on insurers.³ The Government is consulting on a range of options to reform the funding model for emergency services.

To support the implementation of the reform, an Act of Parliament called the *Emergency Services Levy Insurance Monitor Act 2024* (the Act) has appointed IPART as the Emergency Services Levy Insurance Monitor. The Act gives IPART strong powers to monitor insurers and to take action if insurers do not pass on the savings arising from the removal of the levy in premiums. The Act also requires IPART to report on progress to the Treasurer every quarter, and this is the first report under that requirement.

The functions under the Act are temporary, while the transition is occurring. The Act sets out that once the monitoring period ends, IPART's role as the Insurance Monitor will cease.

Figure 1.1 Current model and contribution shares required to fund NSW emergency services



Source: Revenue NSW, *Commissioner's practice note: Emergency Services Levy - Emergency Services Levy Act 2017*. Revenue NSW, *Emergency Services Levy*, accessed October 2024. NSW Government, *Reforming the emergency services funding system*, 10 April 2024, p7.

Box 1 What is the Emergency Services Levy?

The Emergency Services Levy is a levy on general insurers and local councils to fund Fire and Rescue NSW, the NSW State Emergency Service and the NSW Rural Fire Service (together, the NSW emergency services).

The Treasurer publishes a notice in the NSW Gazette by 15 April each year specifying the amount necessary in the next financial year to meet the 73.7% of total emergency services costs estimated for that year (i.e. the contribution target) that insurers must contribute. This amount is payable by insurers issuing or renewing policies of general insurance of the classes of property in NSW described in Schedule 1 to the *Emergency Services Levy Act 2017*.⁴

An insurer's contribution amount is calculated based on their market share. Insurers have discretion about how they apportion the expected Emergency Services Levy contribution amount over their policies, to meet their total contribution target for the year. This means that the amount and percentage of Emergency Services Levy attributed to each individual policy is not a set proportion and may differ year to year or across insurers.

Revenue NSW is responsible for collecting the levy. More information about the Emergency Services Levy is available on Revenue NSW's [website](#).

1.3 What are our functions as Insurance Monitor?

The primary objective for the Insurance Monitor is to monitor insurers' pricing and conduct through the transition away from the Emergency Services Levy so that the community can have confidence that insurers will remove it from their premiums. We will monitor whether or not insurers are passing on the cost savings from removing the Emergency Services Levy to their customers.

As Insurance Monitor, IPART will:

- issue guidance on the emergency services funding reform and on prohibited conduct by insurers- including price exploitation^a or false or misleading conduct^b in relation to the reform
- monitor prices of regulated insurance contracts, and monitor the impact of the reform on the insurance industry and levels of insurance coverage
- publish guidelines for insurers that outline how we intend to exercise our functions under the Act
- collect information from insurers and monitor insurers' compliance with the Act – including investigating and assessing any over-collection of the Emergency Services Levy in the final years of the scheme
- receive and take action on complaints about, and investigate and take proceedings on, prohibited conduct.⁵

1.4 What can the community expect from IPART as Insurance Monitor?

IPART will:

- take a data driven, risk-based regulatory approach to our Insurance Monitor work. We will undertake our functions independently, transparently and efficiently in a way that is accessible to all policy holders and supports better outcomes for the people of NSW in giving effect to the transition of the levy from insurance premiums. We will deliver our functions impartially, with integrity and through robust decision making using best practice regulatory approaches, in line with [IPART's strategic goals](#).
- publish guidelines which will set our expectations for the industry through the transition. We will establish a baseline of current insurance costs and prices so that we can effectively monitor them through the transition to see how removing the Emergency Services Levy from premiums is tracking.

^a Under section 13 of the Act, an insurer engages in price exploitation if they issue a regulated insurance contract with an 'unreasonably high' price, having regard to the emergency services funding reform and various other factors. A 'regulated insurance contract' is a policy of insurance that was subject to contribution under the emergency services funding scheme or 'relevant insurance' under the *Emergency Services Levy Act 2017* (see Schedule 1, *Emergency Services Levy Insurance Monitor Act 2024*).

^b Under section 14 of the Act, a person engages in false or misleading conduct in relation to the emergency services funding reform if they engage in conduct which falsely represents the likely effect of the reform, or which misleads or deceives someone about the likely effect of the reform.

- once the transition begins, focus on monitoring insurers' compliance with the Act. This will consist of data analysis while also relying on customer complaints to identify areas of concern.
- require insurers to substantiate their premiums and removal of the Emergency Services Levy with data where warranted.
- take enforcement actions against insurers who contravene the Act such as by engaging in price exploitation or false and misleading conduct in relation to the reform.

Consistent with our legislative obligations, IPART will report quarterly on the activities of the Insurance Monitor and publish these reports on our website.

IPART will use guidelines, public reporting and communications strategies to incentivise insurers to implement and document systems to effectively remove the Emergency Services Levy from premiums. We will have more information about our enforcement approach in future reports and guidelines.

IPART recognises that the insurance industry has sought the emergency services funding reform for some time and considers it is in the interests of insurers to comply with the requirements of the Act to ensure the effective removal of the levy on insurers. IPART intends to regularly engage with the insurance industry to convey our expectations, and those of the Government, so there is no doubt about what is required.

An Insurance Monitor was previously established in 2016 before the reform was delayed indefinitely and the former Insurance Monitor role ceased. The former Insurance Monitor had a similar remit, collected data, and published documents. We have obtained publicly available information such as the former Insurance Monitor's published guidelines and reports. We are currently obtaining its other records.

While IPART is not bound by any of the former Insurance Monitor's findings or approaches, we will use any relevant information to inform our approach and learn from previous experience. Senior officers of IPART have consulted officers from the previous Insurance Monitor to seek their perspectives on the task at hand.

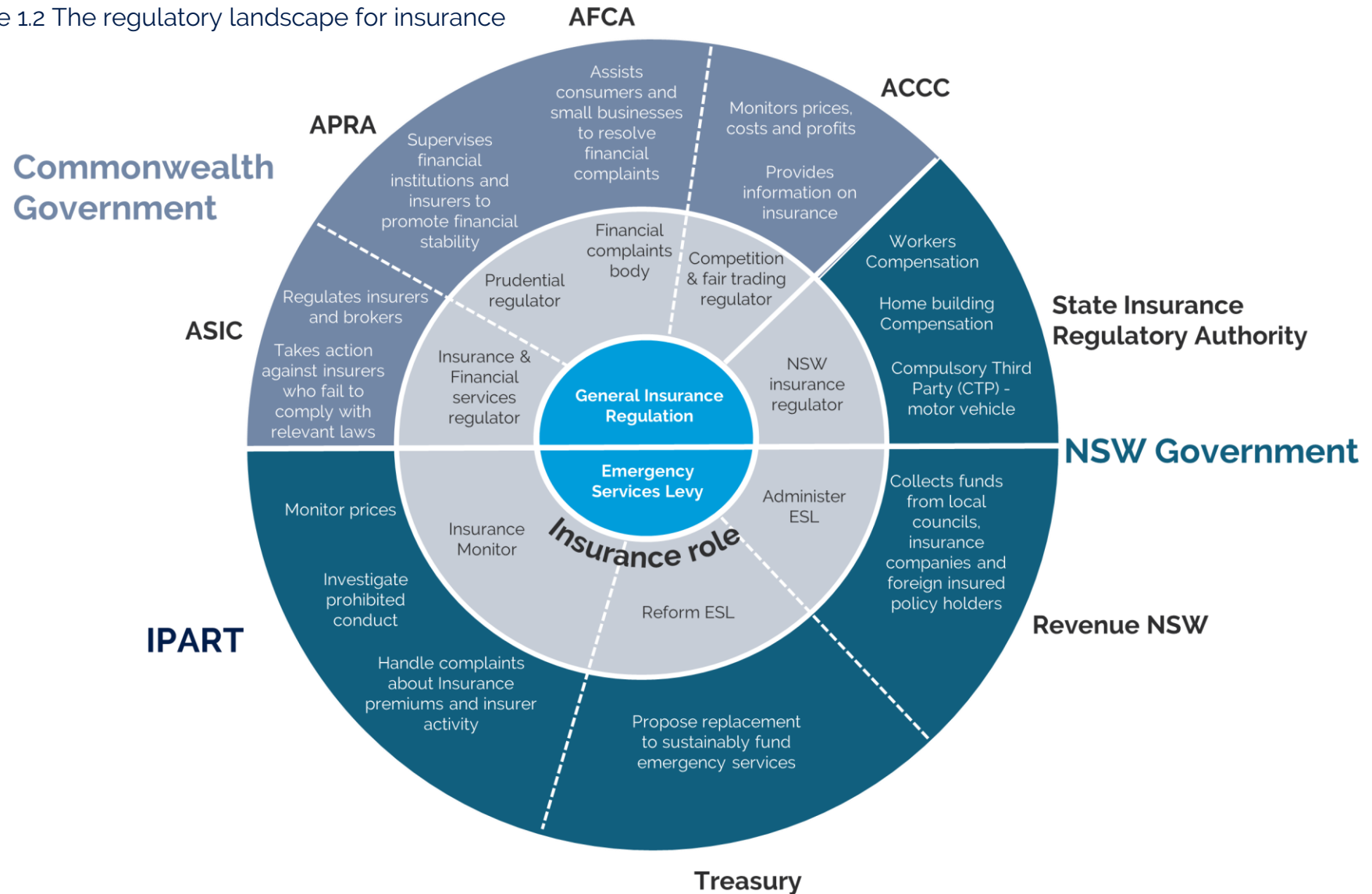
1.5 What other agencies and regulators are active in this area?

IPART is not designing the emergency services funding reform or evaluating transition options. We are engaging with central government agencies leading the reform, particularly NSW Treasury, to ensure that the policy settings for our new Insurance Monitor role are aligned with the reform priorities. We have also been engaging with Revenue NSW, which currently administers the Emergency Services Levy, to understand and scope our role in investigating and assessing over-collection amounts.

IPART is one of several Government agencies involved in oversight of various aspects of the insurance industry. We do not administer the Emergency Services Levy, regulate general insurance pricing, or handle general insurance complaints not related to the removal of the Emergency Services Levy from insurance premiums.

Figure 1.2 shows IPART's role as the Insurance Monitor in the context of the regulatory landscape for insurance in NSW. This includes the roles of Commonwealth and State government agencies involved in regulating general insurance, administering the Emergency Services Levy and preparing for the proposed emergency services funding reform.

Figure 1.2 The regulatory landscape for insurance



2 Our activities this quarter

2.1 Our activities from July to September 2024

We have been establishing the Insurance Monitor function within IPART, so that we are ready to monitor insurers' premiums and oversee their activities once the Government announces the transition to the new emergency services funding model. We have progressed work in the key areas below.

Establishment of function and team

The NSW Government provided funding to IPART in the 2024 State Budget to establish a new functional team in IPART, led by a Director, for 3 years.

In this first quarter (and since the legislation was enacted), IPART has appointed a Director, reporting directly to the Chief Executive Officer in reflection of the importance and high profile of the Insurance Monitor role.

IPART has set up processes and established an interim team to support the new functions, including engaging an insurance advisor. We are currently recruiting for 6 three-year temporary roles.

During the reporting period, the Tribunal has considered and approved initial planning for IPART's approach to the Insurance Monitor role.

Customer engagement and communications

Our website is our key tool for communicating with the community and making people aware of who we are and how to find or contact us. We have set up a dedicated [webpage](#) on IPART's website to provide information about the Act, [the Government's reform proposal](#), and about IPART's role, our contact details and some Frequently Asked Questions.

Our website directs consumers to NSW Treasury for information about the emergency services funding reform and to Revenue NSW for information about administering the Emergency Services Levy currently. It also directs consumers to other co-regulators for complaints and reports relating to those regulators.

We will publish our quarterly reports on our website, as required by the Act.⁶

Stakeholder engagement to inform our approach

We have established relationships with key stakeholders to inform our policy settings. These include:

- NSW government agencies, including NSW Treasury and Revenue NSW which are leading the reform

- Commonwealth government co-regulators, including the Australian Securities and Investment Commission (ASIC) and the Australian Competition and Consumer Commission (ACCC) to understand their role in insurance industry regulation
- Representatives from the insurance industry and advisors, including writing to the CEO of the Insurance Council of Australia advising of our new role and foreshadowing engagement to come.

Preparing industry guidance and our monitoring approach

We have begun preparing guidelines for the insurance industry so that insurers are aware of their obligations under the Act, and guidance about the approach we will take to monitoring insurers' prices and monitoring overcollections.

The Insurance Monitor has a range of powers under the Act, such as requiring insurance companies to publish notices on their bills. We are considering what obligations we will impose on insurers.

We will consult with industry before issuing any guidance. Giving insurers guidance as early as possible will equip them to understand our approach to the functions of the Insurance Monitor under the Act, ultimately providing better customer outcomes.

We have begun considering the available information and what information we will require insurers to produce to inform our price monitoring work. We are applying our economic modelling skills to design a robust, data-driven, risk-based price monitoring approach.

We are developing a best-practice investigation and enforcement strategy which considers industry dynamics and our powers under the Act, including investigating, publishing and initiating proceedings in relation to prohibited conduct.

Designing a customer complaint handling model

Receiving and taking action on complaints is one of our functions as Insurance Monitor and will be a key way in which we obtain information to hold insurers to account. We are designing an appropriate, cost-effective model for receiving, triaging and actioning customer complaints

Our complaints process will be easy to navigate and responsive to customer needs, with a focus on delivering a consistent experience for customers. We have designed a decision-making process for actioning complaints which is based on evidence. We are committed to providing good information so consumers can be confident the Insurance Monitor is regulating the changes to the Emergency Services Levy effectively. Empowering and protecting customers through our decisions is one of IPART's strategic priorities.

In this quarter, we engaged expert advisors to help us design the operating model. We mapped out typical customer journeys by collecting data and identifying the types of customers that are likely to be impacted by the reform and the changes to the Emergency Services Levy. We are identifying the range of enquiries and complaints that customers may make and designing a process to engage with customers through a range of channels including accessibility options for our diverse community.

We are exploring arrangements with co-regulators and other agencies to make referrals for those customers that we cannot assist, where they fall outside IPART's role (for example, general complaints about insurance premiums or insurer behaviour that is unrelated to the reform).

2.2 What is next?

We will publish our next quarterly report by 28 January 2025.

Over the next quarter, we will continue to establish the Insurance Monitor team within IPART, including finalising recruitment processes currently underway for several roles. We will also engage an advising actuary to assist with the design of data requests and the appropriate data analysis.

We will continue to engage with central government agencies leading the reform, to ensure that the policy settings for our new Insurance Monitor role are aligned with the reform priorities and timeframes.

We will commence formal engagement with the insurance industry. We will develop information requests to require insurers to give us information about their insurance policies and prices. Using this and other information sources, we will develop a robust, data-driven, risk-based economic model to establish a baseline of current insurance prices to monitor insurance prices through the transition. We will continue to prepare guidelines for the insurance industry and develop our investigative and compliance approach.

Finally, we will continue to establish an appropriate, cost-effective model for receiving, triaging and actioning customer enquiries and complaints. Our complaints process will be easy to navigate and responsive to customer needs.

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- ¹ NSW Government, [A fairer, more sustainable approach to funding our emergency services](#) | NSW Government, November 2023.
 - ² NSW Government Revenue, [Commissioner's practice note: Emergency Services Levy - Emergency Services Levy Act 2017](#); *Emergency Services Levy Act 2017* s 22; *Fire and Rescue Act 1989*, s 47, s 51; *State Emergency Service Act 1989*, s 24E, s 24I; *Rural Fires Act 1997*, s 106, s 110
 - ³ NSW Government, [A fairer, more sustainable approach to funding our emergency services](#) | NSW Government, November 2023. <https://www.nsw.gov.au/media-releases/emergency-services-funding>
 - ⁴ Commissioner of State Revenue, [Commissioner's practice note: Emergency services levy - Emergency Services Levy Act 2017](#), accessed October 2024.
 - ⁵ *Emergency Services Levy Insurance Monitor Act 2024* s 7.
 - ⁶ *Emergency Services Levy Insurance Monitor Act 2024* s 10.