

28 April 2025

Financial Markets  
Ministry of Business Innovation and Employment  
Wellington  
By email: [financialmarkets@mbie.govt.nz](mailto:financialmarkets@mbie.govt.nz)

## SUBMISSION on Targeted consultation on the Contracts of Insurance Act 2024

### 1. Introduction

Thank you for the opportunity to make a submission on the targeted consultation on the Contracts of Insurance Act (the Act). This submission is from Consumer NZ, an independent, non-profit organisation dedicated to championing and empowering consumers in Aotearoa. Consumer has a reputation for being fair, impartial and providing comprehensive consumer information and advice.

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### 2. Answers to selected questions

Our answers to selected questions from the consultation are set out below.

***Question 1 – What do you think would be an appropriate timeframe for commencement of the Act? Please provide reasons for your response and indicate a specific date, or a period with the earliest and latest date.***

We consider some parts of the Act should commence within the next 6 months. However, it may be appropriate to delay commencement of other provisions. See our answers to question 3 below for further detail.

***Question 3 – Would you support a multi-staged commencement to allow some parts of the Act to come into force sooner. If so, which parts of the Act do you consider should come earlier? If not, provide reasons.***

Yes. As mentioned in previous submissions, we consider the introduction of the Bill should be staggered to ensure consumers receive better protections sooner, rather than later.

The Act has taken many years to progress and consumers have suffered from less than adequate protections as a result. We therefore support the consumer protection provisions coming into effect earlier than other provisions. For example, we think the duty on insurers to settle claims in a reasonable time and the changes to the duty of disclosure and remedies for breach of that duty should come into effect within the next 6 to 12 months.

We understand insurers will need to make a variety of operational changes to comply with the Act but given it was enacted in November 2024 insurers should have already begun preparing for these changes.

While existing laws continue, consumers will continue to be treated unfairly and have to put up with unfair outcomes.

***Question 4 – Do you support making regulations to prescribe standard-form notifications in the situations we have proposed? Please provide reasons.***

Yes, we support this. We consider it will help insurers and consumers understand their disclosure obligations and ensure the messaging is conveyed in a clear and concise manner.

***Question 5 – Do you have any comments or suggestions for amending the proposed standard-form notifications?***

Yes, the final bullet point in the consumer contract notification says “if we would have charged a higher premium, we may increase future premiums *OR* reduce any claim payout in proportion to the premium we would have charged.”

We do not think the second part of this sentence is clear. In our view consumers may struggle to understand what it means to ‘reduce any claim payout in proportion to the premium’ that would have been charged.

Also, in the example, the premium is increased **AND** the payout is reduced. However, the bullet point states that premium will be increased **OR** the payout reduced.

We also think the example in the consumer contract notification could be a lot clearer. We suggest the wording is amended along the following lines:

~~Illustrative example of a reduced claims payout and increased premiums~~

~~House~~ insurance

~~You carelessly forgot to include some important details [can we specify the important details instead of just saying 'some important details'?] relating to about your house when applying for house insurance. Your ~~ome~~ policy and were charged a \$900 premium was set at \$900 [per annum? If so, this seems too cheap.], based on the information you provided. You paid your premiums monthly for three months, then your ~~The~~ insurer finds found out about [the information you forgot to disclose/specified details] and increased ~~ds~~ your ~~the~~ premium to \$1000 [this may need adjusting if the above figure is increased] for the ~~rest of the term remaining~~ [9 months?]. But before the increased premium takes effect, your house ~~becomes~~ was damaged. You lodged a claim with your insurer. The amount ~~otherwise~~ payable on the claim would have been \$100,000. However, the insurer only has to pay 90% of the claim (being \$90,000) ~~because...~~ [explain why]~~

**Question 7 – Do you agree it is useful to provide an illustrative example explaining the concept of reduced payouts, even if the insurance is a different type from the example? Do you think regulations should provide other examples, tailored to other insurance products? If so, please provide other examples.**

Yes, we agree it is useful to provide an example, even if it is for a different type of insurance. Although providing other examples tailored to different insurance products may be useful, there is the risk that the insurer provides too many examples which could result in consumers being overloaded with information that may not be relevant or useful to them. On balance, we think one or two examples are likely to be sufficient.

**Question 8 – Do you consider that standard-form notifications should be developed for any other situations that the duties apply to? For example, before renewing a policy, or varying it? If so, please give reasons and provide your suggested wording (either by amending the proposed wording, or by providing a separate form of notification).**

We consider standard-form notifications should be developed for as many situations as possible to ensure consumers are receiving clear, consistent and concise information from their insurers.

***Question 9 – Do you agree that an interest rate of the 90-day bank bill rate minus 1% would achieve the policy intention? Why/why not?***

We do not think there is a high likelihood that beneficiaries would purposefully delay processing claims to gain interest. Therefore, we consider it would be appropriate to just use the 90-day bank bill rate.

If the rate is set at the 90-day bank bill rate minus 1% but it drops below 1% then a negative interest rate would apply. Therefore, it may be more appropriate to say the rate should be the higher of 0% or the 90-day bank bill rate minus 1%.

***Question 13 – Should the financial limit for ss160 and 161 be prescribed as a specific amount (e.g. \$15,000) or should it be pegged to the amount prescribed under section 65(5) of the Administration Act? Please give reasons and specify the amount.***

We support pegging it to the amount prescribed by regulation under the Administration Act (or subsequent legislation) to ensure the amounts are consistent.

*ENDS*