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Residential Construction Sector Market Study
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Ministry of Business, Innovation and Employment
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By email: constructionstudy@mbie.govt.nz

BARRIERS TO COMPETITIVE AND PRODUCTIVE OUTCOMES IN THE RESIDENTIAL CONSTRUCTION SECTOR

The Insurance Council of New Zealand (Insurance Council) appreciates the opportunity to comment on the Ministry of Business, Innovation and Employment's Options Paper regarding Barriers to Competitive and Productive Outcomes in the Residential Construction Sector.

1. Insurance Council

The Insurance Council is the industry representation body for fire and general insurance in New Zealand. The Council aims to assist members in key areas affecting their business through effective advocacy and communication.

The Council currently has 30 members who would collectively write more than 95 percent of all fire and general insurance in New Zealand. Insurance Council members, both insurers and reinsurers, are a significant part of the New Zealand financial services system. Our members currently protect more than \$0.5 trillion of New Zealanders' assets, including over \$170 billion of home mortgages.

The Insurance Council plays an active role in representing the insurance industry. Our members are licensed under the Insurance (Prudential Supervision) Act 2010 and are signatories to the Fair Insurance Code that requires insurers to act ethically. We also perform an important role in informing and educating consumers about key insurance issues and risks.

2. Introduction and Diffusion of Innovative Products

From the insurance industry's perspective there are effectively two competing interests that need to be appropriately balanced. These are around reducing costs whilst also maintaining the integrity of building materials and the compliance/consenting framework.

From a supply perspective insurers would like to see reduced costs going forward, as insurers are involved closely in the repair and rebuild of residential dwellings. Insurers

would generally support lower material costs, lower compliance costs and quicker consenting of repair and construction works. However, it is critical to ensure that the integrity of building materials and the compliance/consenting framework is not compromised.

Of particular interest is the option outlined in MBIE's paper regarding the introduction and diffusion of innovative products. It is important that the compliance and consenting framework is not relaxed so that sub-standard building techniques and materials are allowed to enter into the market. As evidenced by the recent leaky homes crisis, insurance does not act as a backstop for low-quality building materials and techniques.

There should be a rigorous testing procedure for all building materials, including imported materials. A full cost/benefit analysis should be undertaken to understand any potential future costs associated with the introduction and diffusion of innovative products.

3. Conclusion

Thank you for the opportunity to provide input on the Options Paper. We look forward to the next stage of this review. Please contact Terry Jordan on (04) 495 8002 or at terry@icnz.org.nz if you have any queries.

Yours sincerely



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