

20 November 2023

Retirement Villages Act Review,
Te Tūāpapa Kura Kāinga Ministry of Housing and Urban Development,
PO Box 82,
Wellington 6140,
New Zealand

Emailed to: RVAreview@hud.govt.nz

Dear Retirement Villages Act Review team

ICNZ Submission on the Review of Retirement Villages Act 2003: Options for Change Discussion Paper

Thank you for the opportunity to submit on the Review of Retirement Villages Act 2003: Options for Change Consultation Discussion Paper.

Te Kāhui Inihua o Aotearoa Insurance Council of New Zealand (ICNZ) represents general insurers that insure about 95 percent of the Aotearoa New Zealand general insurance market, including about a trillion dollars' worth of Aotearoa New Zealand property and liabilities. ICNZ members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, cyber insurance, commercial property, and directors and officers insurance).

Submission

ICNZ is pleased to see that the Retirement Villages Act 2003 is subject to a review. From an insurance perspective the section of the current Act that specifies insurance coverage should be updated.

We set out below our answers to the questions (question numbers 58 to 61) from the discussion paper dealing with insurance coverage of retirement village property.

Q.58 (1) Do you agree with:

- The proposal to require that operators maintain insurance policies that, at all times, are sufficient (alongside other funds) to pay out all residents' capital sums in the event that a village is entirely destroyed, unable to be reinstated and all ORAs [occupation right agreements] are terminated?

Answer: Currently, the insurance industry in New Zealand does not provide standalone cover for capital sums, however there are insurance products available in the New Zealand market that do

provide cover for deferred management fees and capital sums under a business interruption policy. This can include cover for:

- **deferred management fees the village operator is unable to recover from the resident/s, and**
- **capital sums (net of deferred management fees) that the village operator is liable to pay to resident/s if the Insured is prevented from reinstating the insured property for reoccupation by sole reason of any law and following the termination of the occupational rights agreement.**

Q.58 (2) Do you agree with:

- The proposal to restrict operators from passing on any insurance excess to residents if the loss, damage or destruction relates to retirement village property; and if the resident was not at fault for the loss, damage or destruction?

Answer: ICNZ see this as an issue about the contractual arrangements set by the retirement village operator and therefore, we would not comment as it is not a direct insurance issue.

Q.59 Do you foresee any issues with the proposal to remove the requirement that operators should have “full replacement cover” and instead allow them to obtain sum-insured and collective type insurance policies?

Answer: ICNZ sees no issue with the proposal to remove the requirement that operators should have “full replacement cover”. We acknowledge that replacement insurance for retirement villages may not be available to operators.

Q.60 Is a 12-month transition period sufficient for operators to update insurance policies or obtain new ones to meet the proposed sufficient coverage requirement?

Answer: We think a 12-month transition period should be sufficient.

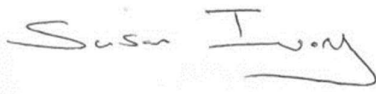
Q.61 Are there any other scenarios in which operators’ ability to pass on insurance excess amounts to residents should be restricted?

Answer: ICNZ see this as an issue about the contractual arrangements set by the retirement village operator and therefore, we would not comment as it is not a direct insurance issue.

Conclusion

Thank you again for the opportunity to submit on the Retirement Villages Act 2003 Options for changes consultation. If you have any questions about our submission or require additional information, please contact Susan Ivory, susan@icnz.org.nz.

Yours sincerely



Susan Ivory
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