

13 January 2025

Regulatory Standards Bill Consultation
Ministry for Regulation

Emailed to: RSBconsultation@regulation.govt.nz

ICNZ'S SUBMISSION ON THE PROPOSED REGULATORY STANDARDS BILL

1. Thank you for the opportunity to provide a submission on the Ministry for Regulation's (MfR) Discussion Document '*Have your say on the proposed Regulatory Standards Bill*'.
2. Te Kāhui Inihua o Aotearoa / The Insurance Council of New Zealand (ICNZ) represents general insurers. ICNZ's members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, and 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 insurance, and directors and officers insurance).

General comments

3. ICNZ supports high-quality, proportionate regulation that delivers good outcomes for our customers and other stakeholders, and improves trust and confidence in our industry.
4. Insurers are subject to multiple regulatory regimes across a range of regulators and Crown entities. While the Council of Financial Regulators provides a forum to support efficient co-ordination of insurance sector regulation across five core regulators, insurers are also subject to regulatory engagement with other bodies outside this forum.
5. The pace and volume of regulatory change and engagement has increased significantly over recent years.
6. This has occurred in the face of the increased frequency and costs of natural hazard events which contribute to increased global insurance premiums and impact the local insurance market. Rushed, poor quality or unnecessary regulation negatively impacts the ability of insurers to respond effectively to the impact and long-term risks of climate change.
7. In order to be effective, regulation should be based on robust problem-definition, and should take a proportionate and risk-based approach to avoid as much as possible the imposition of unnecessary compliance costs or the creation of greater uncertainty, either of which may result in additional costs being passed on to consumers.
8. The approach taken to the implementation of legislation and regulations by regulators is also important to take into account when regulatory systems are reviewed as these regulatory practices can significantly impact whether regulation achieves its objectives and whether its benefits outweigh any negative impacts.
9. As such, ICNZ supports the MfR's regulatory oversight role in ensuring that regulation is high-quality, effectively implemented, and well-maintained.
10. The MfR is responsible for conducting regulatory reviews that aim to assess whether regulatory systems are achieving their objectives and are not imposing unnecessary compliance costs, or unnecessarily inhibiting investment, competition, and innovation. This requires consideration of how regulations are implemented by the regulators and other

bodies that have a role in the regulatory system. We therefore support the proposal to provide greater powers to the MfR as this would help ensure that legislation and regulations remain proportionate and achieve the right outcomes.

11. Finally, the principles of responsible regulation, for example a principle that legislation should not take or impair property unless certain conditions are met, should not impose new limits on central and local government's ability to take action to manage and reduce natural hazard risks and enhance resilience. Care should be taken to avoid creating barriers to developing infrastructure or resource management policies that protect communities from natural hazard risks and increase their resilience.

Specific questions

12. ICNZ's responses to specific questions asked in the Discussion Document are set out below.

Q7. What are your overall views on the current arrangements in place to promote high quality regulation?

13. There have been instances where the current arrangements have worked well but also occasions where rushed or poor-quality regulation has resulted in unintended consequences or negative overall outcomes. Regulation should find a good balance between consumer protection and confidence, and business certainty, stability and costs.
14. To promote high-quality regulation, ICNZ would support requirements for:
 - Robust problem definition at the outset of the regulation process.
 - Genuine, collaborative, and timely consultation that takes into account the competing objectives between regulatory systems and the various priorities impacting stakeholders.
 - Economic cost-benefit analysis of potential regulation.
 - Requirements for regulatory review and maintenance that include consideration of whether regulation is being used to solve clearly defined problems, whether there is duplication or crossover between different regulatory systems, and whether the implementation and enforcement of regulation is proportionate and risk-based to minimise compliance costs.

Q15. Do you have any comments on the proposed principles themselves?

15. We support the principles relating to taxes, fees and levies. The imposition of taxes and levies can have a significant impact on the price of goods and services for New Zealanders and the choices they make.
16. The Fire and Emergency New Zealand levy applied to insurance products in New Zealand is an example of a levy where the cost to consumers and the sustainability and efficiency of the funding model is questionable. The Natural Hazards Commission levy also has affordability implications. These levies' combined effect could undermine the regulatory system's consumer protection objectives as it may decrease the uptake of insurance.
17. We consider that care should be taken that any principles about the taking or impairment of property do not inadvertently limit policymakers' and regulators' powers to respond appropriately to natural hazard risks. It is important that regulatory systems maintain the ability to respond in an agile manner to future challenges and demands, such as increasing natural hazard risks.

18. We support the regulatory stewardship principles and the long-term lens (which would necessarily incorporate resilience) that the principles would encourage policymakers and regulators to adopt in relation to regulation-making.

Q26. Do you support the proposals in this section for strengthened regulatory stewardship expectations on agencies to be set out in a Bill?

19. Yes. We support the proposal that agencies should undertake regular reviews of legislation to ensure that legislation remains fit for purpose.

20. Issues can occur within regulatory systems not only because of the content of the applicable legislation or regulations but also due to the approach taken to their implementation.

21. Issues that may affect regulated parties include:

- The lack of role clarity and co-ordination between regulators and other bodies in the regulatory system.
- The duplication of requirements across different regulators (where those requirements may not be fully aligned).
- Large volumes of regulatory guidance or practices that create new requirements or generate ambiguity for regulated entities.
- The timing of the release of regulatory guidance that provides regulated entities with too little time to comply with it or incorporate it into their business systems and processes.
- The quality of regulators' communications.
- Difficulties establishing and maintaining institutional and industry knowledge within regulators.

22. When regulatory systems are reviewed by agencies or the MfR, it is important that implementation issues such as these are considered.

23. This aligns with the proposed regulatory stewardship principles that:

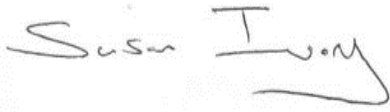
- Unnecessary regulatory burdens and undue compliance costs should be eliminated or minimised.
- Any regulator should have the capacity and capability to perform its functions effectively.
- Any conflicts or adverse interactions with other regulatory systems should be eliminated or minimised.

Q30. Do you think any safeguards or procedures should be applied to limit how the information gathering powers are used by the Ministry for Regulation? What safeguards do you think should be put in place?

24. Yes. Legislative safeguards should be put in place to protect confidential and commercially sensitive information belonging to regulated parties and other third parties (including third-party service providers that are contracted to the government to support the delivery of a regulatory function).

25. Thank you again for the opportunity to make this submission.

Yours sincerely

A handwritten signature in cursive script that reads "Susan Ivory". The signature is written in black ink on a white background.

Susan Ivory
Regulatory Affairs Manager