



IAG SUBMISSION

PROPOSED RESIDENTIAL TENANCIES REGULATIONS FOR INSULATION AND SMOKE ALARMS

11 February 2016

1. INTRODUCTION

- 1.1 This submission is a response by IAG New Zealand Group (IAG) to the Ministry of Business, Innovation and Employment's "Proposed Residential Tenancies Regulations for insulation and smoke alarms" discussion document.
- 1.2 We welcome the opportunity to work with the government on developing improved residential tenancy regulations that help reduce fire-related fatalities and injuries in residential rental properties and make rental properties warmer, drier and easier to heat.
- 1.3 Our submission seeks to provide an insurer's perspective on the principles underpinning the government's proposed changes. It does not offer comment on the technical nature of the government's proposals.
- 1.4 We support the compulsory installation of smoke alarms and insulation in rental properties, and do not believe these changes will affect consumer premiums or how claims arising from fire damage are assessed.
- 1.5 IAG's contacts for matters relating to this submission are:

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About IAG New Zealand

IAG New Zealand is made up of IAG New Zealand Limited trading under the NZI and State brands, Lumley General Insurance (NZ) Limited and AMI Insurance limited. IAG New Zealand Limited also underwrites general insurance for ASB, BNZ and The Cooperative Bank and Lumley General Insurance (NZ) Limited underwrites general insurance for Westpac. IAG New Zealand Limited, Lumley General Insurance (NZ) Limited and AMI Insurance limited have a combined 42% share of the general insurance market, managing 3.8 million policies of 1.5 million New Zealanders. IAG New Zealand Limited, Lumley General Insurance (NZ) Limited and AMI Insurance limited are wholly owned subsidiaries of Insurance Australia Group (IAG), Australasia's largest general insurer.

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2. GENERAL COMMENTS

- 2.1 IAG is New Zealand's leading general insurer. We provide more than a million insurance policies a year and protect almost \$450 billion of commercial and domestic assets across New Zealand.
- 2.2 Our business is focussed on helping make the world a safer place, and we are committed to making sure that New Zealanders have the ability to protect themselves and their assets through easily accessible and affordable insurance.
- 2.3 We work in partnership with Beacon Pathway, an incorporated society seeking to transform New Zealand homes and neighbourhoods to be high performing, adaptable, resilient and affordable. Our partnership is centred on building our combined knowledge and understanding of resilience at a community and household level, and to reduce risks relating to the residential sector.
- 2.4 We strongly support the principles underpinning the government's goal of reducing fire-related fatalities and injuries in residential rental properties. We want all New Zealanders to be safe in their homes regardless of whether they are owner occupied or tenanted.
- 2.5 Fires present a significant risk to New Zealanders, occurring in one in every 400 New Zealand houses each year. We believe the government's proposal to make working smoke alarms mandatory in all residential rental properties is an important step in reducing these risks and will offer greater protection to residential tenants which we commend.
- 2.6 We support the New Zealand Fire Service's recommendation that where practical, a long-life photoelectric smoke alarm be located in every bedroom and hallway or living area on each level of residential rental properties. We believe this level of protection will assist in giving tenants the earliest possible protection from the threat of fires and best gives effect to the government's objective of reducing fire-related fatalities and injuries in residential rental properties.
- 2.7 We do not believe the government's proposals mandating smoke alarms in residential rental properties will have any implications on the premiums our customers pay for their insurance or affect the way we assess insurance claims arising from fire damage. Smoke alarms are designed predominantly to save lives rather than allowing residents to stop fires, and therefore from an insurer's perspective the level of damage arising is unlikely to be significantly materially affected by whether or not a tenant has a smoke alarm.
- 2.8 We want New Zealanders to enjoy safe and comfortable living conditions and support the principles underpinning the government's proposals to increase insulation standards for residential rental properties.
- 2.9 We share the government's belief that good quality insulation helps keep the heat in homes during winter as well as keeping it out during summer, and ultimately makes houses more comfortable and healthy to live in.
- 2.10 Broadly speaking, we believe attention should be focussed on improving those homes most in need of better insulation, although we are cognisant of the costs involved with insulation and the difficulty this may present for some landlords.

2.11 While the presence of insulation, or lack thereof, is not expected to have any impact on customers' insurance premiums or the assessment of their claims, we do encourage customers to review their insurance policy during the installation of insulation to ensure they are covered for the period where major works take place. This is particularly relevant for homes where skins need to be opened up, foundations are altered or major rewiring takes place. In such circumstances Contract Works policies may be required which provide specific cover for major renovations or the building of new houses.

3. CONCLUSION

- 3.1 We support the government's proposals to reduce fire-related fatalities and injuries in residential rental properties and make these properties warmer, drier and easier to heat.
- 3.2 We do not believe the government's proposals will have any effect on insurance premiums or the manner in which claims relating to fire damage will be assessed.
- 3.3 IAG is committed to working collaboratively and in partnership with the government and consumers and would welcome the opportunity to be further involved in the refinement of this regulatory framework.