Insurance (Prompt Settlement of Claims for Uninhabitable Residential Property) Bill

206—1

Report of the Governance and Administration Committee

March 2021

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Barbara Kuriger
Chairperson

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Recommendation

The Governance and Administration Committee has examined the Insurance (Prompt Settlement of Claims for Uninhabitable Residential Property) Bill and recommends that this bill not proceed.

About the bill

This is a Member's bill in the name of Stuart Smith, the MP for Kaikōura. During our consideration, Mr Smith indicated that he wishes to withdraw this bill. We therefore recommend that the bill not proceed. However, we wish to report details of our consideration of the bill, which we set out below.

The bill's purpose is to facilitate the swift resolution of uninhabitable property claims that are lodged with insurance companies. The bill would set a clear time frame for insurers to accept or decline claims for uninhabitable residential property. It must be within six months of receiving a claim. The Minister would have the discretion to extend the timeframe in extreme circumstances (such as a local or national emergency).

The bill aims for faster response to and resolution of claims. This is intended to reduce the stress and emotional burden on insured customers that can be caused by drawn-out insurance claims.

In general, submitters expressed support for the intent of the bill, namely to speed up the insurance process for consumers. However, some commented that the bill would not be effective as it does not target the settlement stage of the claims process.

Existing work in this area replaces the need for the bill

We were advised that the Government does not think this bill is needed. Wider reforms are currently under way in relation to the conduct of large financial institutions through the Financial Markets (Conduct of Institutions) Amendment Bill. That bill would cover insurers and the issues that the Insurance (Prompt Settlement of Claims for Uninhabitable Residential Property) Bill intends to address.

We heard from submitters who also thought that this bill was not needed because of the existing work in this area. In addition to the Financial Markets (Conduct of Institutions) Amendment Bill, there have been changes to the Earthquake Commission (EQC) process. The Insurance Council of New Zealand has also established a Fair Insurance Code which sets out industry best-practice standards, including a time frame for deciding whether to accept or decline claims.

Legislative scrutiny

As part of our consideration of the bill, we have examined its consistency with principles of legislative quality. We wish to bring the House's attention to an issue relating to clause 12.

Clause 12 would enable the Minister to grant an extension to the time limit for deciding insurance claims if a state of national or local emergency was declared. The decision to grant an extension would be legislative in nature, because it would have broad application and would modify the operation of law. The bill is unclear about how the exercise of the power would occur and how it could be communicated.

If the member in charge of the bill had not stated that he wishes to withdraw it, we would have considered how to clarify the mechanism by which an extension is granted under clause 12. We also would have considered how it would be communicated and made subject to parliamentary scrutiny.

Appendix

Committee procedure

The Insurance (Prompt Settlement of Claims for Uninhabitable Residential Property) Bill was referred to the Governance and Administration Committee of the 52nd Parliament on 21 July 2020.

On 26 November 2020, the bill was reinstated with the Governance and Administration Committee of the 53rd Parliament. The closing date for submissions was 11 December 2020. We received and considered five submissions from interested groups and individuals. We heard oral evidence from two submitters at hearings in Wellington.

We received advice on the bill from the Ministry of Business, Innovation and Employment. The Office of the Clerk provided advice on the bill's legislative quality.

Committee members

Barbara Kuriger (Chairperson)
Rachel Boyack
Naisi Chen
Nicola Grigg
Tangi Utikere

Advice and evidence received

The documents that we received as advice and evidence are available on the Parliament website, www.parliament.nz.