ICNZ Insurance Council of New Zealand
Te Kāhui Inihua o Aotearoa

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Levy Consultation
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Fire & Emergency Levy Consultation – Submission from the Insurance Council of New Zealand

1. Thank you for the opportunity to provide feedback on the Fire & Emergency Levy Consultation for the 2026-29 period.

Executive Summary

2. The Insurance Council of New Zealand represents General Insurers that collect most of the funding that is needed to run Fire and Emergency New Zealand (FENZ). This funding comes almost entirely from levies added to insurance policies covering property and motor vehicles.
3. Like all New Zealanders, we want FENZ to have the appropriate resources, but we also want to ensure that the funding via insurance premiums is sustainable and efficient given that any increase in levy will mean our members' customers will pay more via their premiums.
4. The consultation work that the insurance industry undertook with the Department of Internal Affairs in 2022 resulted in a number of important changes that shaped the Fire Emergency Levy Amendment Act 2023, broadening the levy base and simplifying the levy calculation process. The Insurance Council's recommendations that were included in the Levy Amendment Act 2023 were.
    I. The levy to be included on third party only covers for motor vehicles that are currently exempt.
    II. The levy to apply to vessels moored in wharfs and marinas that are currently exempt. We did say that a discounted levy rate would need to apply to all vessels.
    III. The calculation of the levy on commercial property applying it to the sum insured amount would be simpler than applying to a separate "indemnity value" amount for which a property owner declaration is required or a registered property valuation that is not more than 2 years old.

IV. Ease of levy calculation and compliance is critical for insurers and intermediaries alike, levy collection is not our core business, and we submit it must be as easy as possible to calculate the correct levy based on information that is readily available to the customer and insurer. The interest and penalty provisions imposed under the Act are higher than similar penalties such as those for income tax and GST.

5. Unfortunately, the FENZ levy rate proposals now being considered for residential property and combined with changes for mixed used residential/commercial property will make it much more complicated if not impossible to calculate the levy, effectively undoing much of the positive aspects of the Fire Emergency Levy Amendment Act 2023.

6. We have also in the past expressed our concerns about the ongoing sustainability of FENZ funding as it is only funded from those who purchase insurance, but at the same time its imposition reduces the affordability of insurance. The FENZ Levy on insurance must be simple to calculate with a minimum of compliance cost to minimise the extent of the cost increases it imposes.

7. Insurance affordability is a strategic priority of the Insurance Council.

8. We have provided some material feedback on the proposed levies, and we are mindful that FENZ will also be receiving feedback from other submitters. Following consideration of this feedback it is necessary for the Government to make final decisions on the Levy rates and caps, finalise all other aspects of the regulations, and develop any supporting guidance to address all issues of uncertainty. Insurers need this certainty by the end of 2024 to provide the 18 months needed to fully analyse the changes, build the systems and process changes, test those changes and develop and rollout everything else required to make these significant changes. These changes to the levy calculation are significantly more complicated than the rate change we are currently implementing which takes effect on 1 July 2024. Should this certainty not be achieved by the end of 2024, insurers will not be in a position to comply by 1 July 2026 and should not be penalised as a result of these delays and the Government will need to amend the legislation to delay the 1 July 2026 commencement.

Affordability of Insurance as Premiums Rise

9. The costs of insurance premiums for homes, motor vehicles and business assets such as commercial buildings have increased significantly in the last 10 years. These increases are driven by a range of factors including the increase in claims cost from weather events and earthquakes, significant inflation in building and motor repair costs and increased reinsurance costs for insurers providing insurance products in New Zealand.

10. One of the biggest challenges for our industry is how can we continue to keep insurance affordable and accessible. Many insurers are looking at ways to help their customers manage their own protection as cost-effectively as possible. If

fewer New Zealanders purchase insurance products, then FENZ funding will reduce, requiring levies on insurance to increase further, making insurance even less affordable.

11. Our submission will now focus on some specific parts of the FENZ Levy Consultation Document, with comments on aspects we support, aspects that will raise compliance problems and identification of several errors and assumptions in the Consultation Document (CD) that are misleading. We have made a number of suggestions that would improve the equity and practicality of collecting the Fire & Emergency Levy (FEL). We also raise concerns about the ability of the industry to implement the changes arising from the proposals and the new levy exemptions by 1 July 2026 if the regulations and guidelines are not finalised by the end of 2024.
12. We are concerned that should the change not be made to address the workability of collecting the levy in some areas, the complexity created could make it costly and potentially impractical to collect the levy on certain types of insurance.
13. We have also raised issues with how the expected levy collection has been modelled, in particular, in relation to non-residential property, due to changes in the basis for the value to which the Levy is applied and to exemptions. It is critical that these are considered and worked through otherwise FENZ's levy collection may diverge materially from what is being consulted on, with implications for FENZ and levy payers.
14. These matters are addressed specifically in the following sections.

Residential Property

15. Firstly, we note that any change to the residential caps regardless of the amount the cap shifts to, will incur additional costs for both insurers and brokers to change the fields and algorithms within their systems that calculate the appropriate levy. These additional costs of doing business add to customers' premiums, so changing the cap should only be done when it is really necessary to address something that is not operating as intended. This is an area where any equity-related benefits have to be weighed against the costs of change.
16. There is limited information as to why the authors consider a significant change in the level of the cap under preferred option 3 meets the principles of equity and universality. In contrast, Insurers consider preferred option 3 comes with the significant risk that it will impact, or influence consumer selection of their sum insured. It also causes major problems for multi-unit and mixed use buildings that are outlined further below.
17. Presently very few residential property risks have a sum insured below the current cap of $100,000. So, the vast majority of insured residential property owners are paying the maximum levy, therefore making it equivalent to a flat rate per residential dwelling.
18. It is imperative for consumers to be adequately insured, not just for their own financial recovery, but for the economy as a whole, particularly following

significant natural hazard events. It is also in insurers' interests that their customers are selecting a sum insured that appropriately reflects the anticipated rebuild cost of their home as that allows them to fairly and appropriately price the risk.

19. It is not clear how the preferred option 3 best meets the equity and universal principles for setting levies. According to the document, "about half of levy payers would pay less under this system". There is no explanation of why this best meets equity or universality. Under Option 3 it is suggested that approximately half would pay the fixed rate for sums insured above $625,000, with the rest paying a variable rate below. However, given distribution of sums insured, a very significant proportion of homes would be subject to an annual levy that is within say 75% of the maximum, so the differentiation benefits would be modest.

20. As acknowledged in the consultation document, FENZ attends residential dwelling fires in much the same way with much the same resource as is available in that region/area, whether the estimated replacement cost for the home (the figure the sum insured will generally represent) is $80,000 or $490,000 or $1,400,000[1]. But perhaps this assumption is incorrect, and FENZ might say a home with sum insured of $1,400,000 is likely to be larger so they will require more resources than say one insured for only $80,000, and therefore the $80,000 homeowner should pay less levy. But if the latter is correct, and size/value does matter, then on a pure equity basis why have a cap at all, and why choose $625,000?

21. Take for example two hypothetical properties based on real world examples. Property A is 700+ sqm, has 8 bedrooms, and is down a steep narrow drive. Its estimated cost of rebuild is $2.5m. One imagines it might need significantly more FENZ resource to fight a fire at this home being so large, cliff top and with awkward access. Property B is a 3 bedroom, 100sqm on a flat piece of land and its rebuild estimate is $570,000 (less than a quarter of Property A). The respective levies under the preferred option 3 cap for these materially different properties would be $105 (Property B) and $115 (Property A), a very modest differential. Is this equitable? If FENZ responds to fires for residential dwellings in much the same way, expending much the same resource regardless of the value of the home, then dwellings should pay the same levy (so the cap should remain low/ equivalent to a flat rate). Or, FENZ resources expended do vary according to the size/value of the home, in which case equity would be for higher value homes to pay more – so no cap on an equity basis.

22. The other problem for levy calculation and compliance with a higher cap as proposed is that many residential units insured as part of a multi-unit complex such as apartment buildings and retirement homes would have a value that if it was calculated would be below the suggested $625k cap. Some buildings would have a mixture of above and below-cap units.

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[1] Example figures used in the consultation document

23. This will cause problems when multiple residential units are insured under the one policy contract (as will be the norm for body corporates and for apartment blocks). There is no breakdown of individual residential unit sums insured within multi-unit residential properties, they insure for one overall insurance amount. In order to apply the FEL per residential unit, insurers need either a flat rate, or a cap that is low enough that the insurer can safely assume each individual unit's share of the sum insured is more than that cap. At $100,000 that assumption is likely to be a fair one. With a significantly raised cap, insurers and brokers will need to ascertain from customers, what each individual unit's share of the overall sum insured would be (recognising this information is not readily available to customers and not information the insurer or broker otherwise needs for insurance purposes). The basis for insurers and brokers to make that calculation is not detailed. The Act talks to calculating against the sum insured not some division of it – insurance policies have a sum insured per building or per asset. Properties that are subject to body corporate rules may have a formula for allocating each individual unit's share of the whole, but that is certainly not information insurers need to insure the property (it might become relevant at claims time and will be collected then if necessary). Not all multi-unit properties are subject to body corporate ownership, so that will not work for all properties. The information gathering and complexity of that calculation significantly increases the burden on insurers and brokers, and that information is not readily available/easily ascertainable for customers. The suggested $625k cap is therefore unworkable for insurers based on the information in the consultation.

24. Given the equity related advantages of Option 3 are modest at best and it would be worse in terms of stability and predictability, our recommendation is to make the calculation of the FEL simple, and we suggest that a flat FEL amount be charged on each residential home and residential unit or Option 1 current cap of $100,000 = no change to current arrangements.

Mixed Use Buildings

25. Under the current levying regime, the definitions required for rate/cap calculation work in tandem with the definitions that applied under the Earthquake Commission Act 1993, so that a building is levied as a whole – either it is treated as residential or "Other property".

26. The Consultation Document contains only one minor footnote dealing with the proposed levying for mixed use buildings:

> "The definition of residential property will change how mixed-use buildings are levied. Under the transitional levy system, any mixed-use building that is more than 50% residential is treated as wholly residential property and pays the residential property levy. The new levy system will mean that residential parts of mixed-use buildings will pay a residential property levy rate, while non-residential parts will pay a non-residential property levy rate."

27. Insurers have significant concerns about how they could implement this split levying proposal and there are no details on how the FENZ suggest Insurers will calculate the split. The complexity of this and the lack of guidance on this issue

leaves insurers with major concerns about their ability to prepare to collect the levy.

28. As noted above in relation to multi-unit residential properties, Insurers do not want to collect additional information from their customers that is not needed for any other underwriting/insurance purposes, particularly when that information is not something easily available to customers. Rebuild cost calculators like the Cordell Sum Sure do not provide per unit breakdowns of construction costs. Whole buildings are rebuilt, not individual units within them. The alignment /connection to the EQC definition of residential property meant insurers and brokers could use and rely on information already required to be collected for the application of EQC levies.

29. There is no detail on how to charge on shared property (carparks, grounds etc) and other related property that is no longer going to be exempt such as retaining walls and underground services. Currently insurers and brokers ask if the property is more than 50% residential and calculate the levy on that basis. Whilst not perfect, customers can generally estimate whether the commercial space is more or less than 50% of the building floor area.

30. Our recommendation is to make the calculation of the levy as simple as possible, like has been done with motor vehicles.

31. Reduced complexity is imperative to insurers, brokers and customers, particularly as they bear the full costs of collection and any new changes in collection.

32. In relation to the calculation of levies for mixed use buildings we are concerned not just that it would be difficult to calculate the required levy, but that in the absence of additional clarity in application and additional work by insureds, brokers and insurers it will be impossible to do so. Our recommendation is to make the calculation of the levy simple, and we suggest that a flat rate levy (or very low cap) be charged per residential home / residential units in a multi-unit building. For mixed – use buildings, our preference is to maintain the status quo and treat the building as a whole, either residential or not. If it is less than 50% commercial/more than 50% residential then apply the flat rate levy per dwelling and ignore the less than 50% commercial part of the building. But the converse would also be applied, if it is less than 50% residential then apply levy rate against the sum insured for the whole building.

33. This would mean dwelling unit owners within the less than 50% residential complex do not get the benefit of a capped levy (although the levy is applied on the insurance policy which covers the building as a whole and what share of that insurance premium and levies individual unit owners are required to pay is actually determined by them). Conversely, commercial property unit owners within a mostly residential building do not get an uncapped levy applied (but again, the building itself is being levied at the insurance policy level).

34. We appreciate and acknowledge there is not perfect equity in this scenario but in our view, the impossibility/complexity of collection/calculation outweighs that ideal of equity.

35. Uncoupling from EQC and new NHI definitions has also created a minefield of complexity – which we did not appreciate in 2017 consultation rounds and the effects of the changes from EQC to NHI in terms of treatment of mixed use occurred after. It is possible that further issues will be discovered as we work more closely analysing and implementing these proposals.

Motor Vehicles

36. Private motor and commercial vehicles at or under 3.5 tonnes currently have a fixed FEL charge per vehicle whilst vehicles over 3.5 tonne are charged at the non-residential "other property" rate on the indemnity value.

37. The Fire Emergency Levy Amendment Act 2023 changes will require that all vehicles insured under a "contract of motor vehicle insurance" will now be charged at a fixed rate, including those with only third-party policies. We support this. A flat rate per vehicle regardless of weight will be more straightforward for insurers and brokers to calculate and reduces the risk of non-compliance.

38. However, the rate increase proposed will represent a fourfold increase in the levy for most vehicles to $40.12 per vehicle. We note vehicles over 3.5 tonnes with a sum insured over $33,500 will pay a reduced levy. Our concern is that the proposed fourfold level of increase will add $30.59 to insurance premiums for all insured light vehicles in New Zealand. That could be too expensive for some vehicle owners who may in response decide to not insure their vehicles, particularly for third party insurance and owners of lower valued vehicles. This will be very common in farming such as insured farm bikes and other farm vehicles that are usually low value and are often just used on the farm.

39. Charging a vehicle levy on policies which provide Third Party Only cover will take place under the new Part 3 levy. We support this change since it increases the levy collection across more vehicle owners, and those motor vehicles receive the same FENZ response as fully insured vehicles. However, not all motor vehicles are insured. If the motor vehicle portion of the levy pool were instead collected on vehicle registrations alongside the ACC levy, we believe more (but we accept not all vehicles) will be contributing to the important life rescue and clean up roles FENZ performs following road traffic accidents.

40. Our recommendation would be that instead of increasing the per vehicle levy rate by four times, a doubling of the current levy to a $20.00 flat FEL amount on all motor vehicles would be more measured, and this can be reviewed over time. We understand that FENZ wants to apportion the levy collection to be proportionate to the cost of attending motor vehicle accidents, however that dramatic increase creates risks when the increased levy amount will reduce the affordability of the mechanism (motor insurance) that the levy is collected from.

Non-residential Property (Commercial Property)

41. The Fire Emergency Levy Amendment Act 2023 requires that the levy be calculated on sums insured rather than the indemnity value as is calculated presently and we support this change as it aligns with insurance practice. However, we believe FENZ has misinterpreted what 'sums insured' means compared to the current levying and the consequences of this have meant a significant miscalculation in the proposed levy rate.

42. We also note that the CD does not contain any illustrations of the cost implications of the proposed levy for non-residential property, despite the fact that this group of policyholders will contribute approximately 60% of the FENZ revenue for the next 3-year period.

43. The CD notes on page 16 that "Many policies were already using sum insured (or amount insured), so this change is likely to only impact a small minority of policy holders" and only a small rate reduction in the rate from 0.1195% to 0.1151% is therefore proposed. On page 35 of the CD it is also stated that FENZ has assumed that "The change from indemnity values to a sum insured system will only have a minor impact on the total levy collected." We consider both these assumptions to be incorrect and that there is a significant impact.

44. FEL is currently charged on the indemnity value of the commercial property which in most cases will be well below the sum insured. Indemnity value is not defined in the Fire Services Act but is understood in the context of insurance to represent the current value (in terms of loss of financial value), considering its age and condition just before the loss or damage happened. It takes into account depreciation, reflecting the reduced value of the item due to wear and tear over time.

45. Property is often, but not always, insured for replacement cover. When a policy is providing replacement cover, it means the insurer will pay to replace the building to an 'as new' standard – i.e. the costs required to rebuild. The sum insured in this policy should represent the estimated cost to rebuild the building. The cost to replace a building is self-evidently going to be greater than a valuation figure representing the depreciated cost allowing for wear and tear.

46. One of our members has run a calculation over their commercial property portfolio, and found that the indemnity value is on average 47% of the replacement value sum insured. The indemnity value is the figure that the FEL is currently calculated on and where the building has replacement cover, the indemnity value is a figure the customer must declare for the purposes of FEL calculation only.

47. Assuming that other insurers might have a similar replacement value to indemnity value ratio as the above example, when the new regime comes into effect and the levy is calculated against the policy's sum insured, the calculation will be using a figure that might be twice as high as it was calculated on previously. Given the shift to sum insured basis, we had anticipated and expected that the

levy rate itself would drop by considerably more than the approximately 4% proposed.

48. The rate proposed will therefore represent a significant increase in levy liability for commercial property owners and directly affect the affordability of insurance to the commercial property sector in New Zealand. It is likely to also lead to a significant over collection of levy from these commercial property owners.

49. It is important to note that the member portfolio example given could be different for other insurers, and the differential will not necessarily be smaller. For example, Insurers that provide coverage for older buildings could have sums insured that will be 3 times the indemnity value and would see a 3-fold increase in the FEL being charged to those customers and if many of these customers potentially across their portfolios.

50. Because FENZ is using an approach we think is incorrect we hold serious reservations in this levy calculation work. We question the assumptions that FENZ used to develop the proposed rates in this aspect and beyond. Our members have provided data to FENZ in the past and we are happy to work with FENZ on better understanding the implications of the changes to the underlying figures upon which the levy rates will be calculated. In the absence of further engagement on FENZ's underlying modelling and assumptions we would recommend that the non-residential levy rate be halved.

51. We also note that the removal of a number of current exemptions will also broaden the levy base further, but neither the CD nor the Regulatory Impact Analysis (RIA) make any comment as to the impact of these changes on revenue collection.

Marine Insurance covering Vessels

52. The Insurance Council supports in concept the levying of all boats/vessels/ships (hereafter: *ships,* which has a wide definition in s2 of the Maritime Transport Act 1994) that are owned and operated in New Zealand. Current rules mean only those that are kept on the land are levied but the rules were first made in the mid-1970s when there were few marinas in existence. This would include all ships that are on land or berthed/moored in wharves/marinas or tethered to sea moorings.

53. However, we only support this expansion of scope if the levy that would apply to ships is a less than the non-residential property levy rate that is proposed, to recognise the extent of FENZ services in relation to ships. We believe it would be inequitable and unfair for ships to be charged the proposed levy rate for the following reasons.

    I. FEL is currently not charged on moored vessels. Only trailer boats stored on land currently are charged FEL, but those permanently or semi- permanently in the water are not. However, it is common for moored vessels to come ashore 'on the hard' to be worked upon, for

which no levy is charged because boat insurance covers this necessary maintenance period as standard.

II. This expansion of catchment will present a significant cost to commercial vessel owners and moored pleasurecraft unless a flat FEL amount is adopted. If the current value-based methodology is retained, this proposed FEL expansion will most likely reduce the take up of marine vessel insurance. In addition, marine insurance provides some vessel safety checks in the form of insurer safety condition surveys in an environment where there is currently no competency licencing in New Zealand for pleasurecraft operators.

III. If the vessel suffered an emergency event out on the water and away from its berth, then FENZ would not be in a position to provide assistance like they would for a building or a motor vehicle.

54. ICNZ recommends that the applicable levy should be a flat amount applying to each vessel that would include its road registered trailer. The flat FEL amount should be a proportion of the proposed motor vehicle levy. As a simple per vessel amount, this would be easy for insurers to collect compared to the current system for trailer vessels that are on land. The flat FEL amount would address the fairness and equity concerns we have outlined above.

55. We also recommended that the levy regulations and final guidance makes it clear, if necessary, that the FEL would not apply to typically low value watercraft covered under a home contents policy such as a kayak or a canoe as home contents policies are subject to FEL as they are personal property.

56. Amphibious vehicles and boats are now more common. We believe that vehicles (typically four wheels or more) that have been adapted to float and propel on water should be levied as motor vehicles and not as ships, whereas amphibious boats (typically three wheels or less, two below the transom and one at the bow) are levied as ‘ships’.

Marine Inland Transit Policies

57. Currently insurance policies that cover small deliveries within New Zealand (also known as inland marine transit policies) and have FEL calculated at the normal property rate but can be pro-rated to a minimum of one week, e.g. 1/52 of levy payable.

58. Many inland transit risk FEL charges are for very small amounts due to the short periods of the transit operation. Most of these levies are so small that it costs the insurer more to calculate & collect the levy than what the levy is worth.

59. We recommend that levies should be removed from these types of policies. Inland transit movements are typically stock under material damage stack policies that have FEL charged anyway, so there is an element of double dipping that should be avoided.

60. Any storage that is not incidental to transit on inland transit policies, shall be charged at the usual MD/BI stock property rate. To be consistent with the following section, we recommend that the same 60 days is applied, whereupon levy will be due. This allows for modern practices of consolidation and deconsolidation of loads to and from distribution centres etc. Insurers providing local transit cover will ask for annual declarations as per the following section on imports and exports.

Cargo Exports and Imports with Extended Storage

61. New Zealand exports are typically covered under internationally recognised insurance conditions known as the Institute Cargo Clauses.

62. The most common standard, well-known to all marine insurers and brokers are the "Institute Cargo Clauses (A)", provides up to 60 days coverage post-discharge from the 'overseas vessel' for delivery. This 60-day period allows for periods on container terminal aprons, transit, customs clearance etc. 'in the ordinary course of transit' to destination. It is a long-established maximum period of time for land transit to occur post-discharge. Worldwide, marine insurers' underlying purpose here is to allow for normal stops-and-starts of cargo moving through the transportation chain, but with no periods of deliberate storage.

63. Insurance on marine export cargo due to reasons of international competitiveness, has been FEL exempt whilst the cargo within New Zealand has to be levied. The current levy system creates a distortion where it has been advantageous to place New Zealand export storage risks into marine contracts rather than material damage insurance where the levy is paid on the value of the stock. New Zealand produce, destined for export, can for example be held to mature or to condition for periods of time that are not 'in the ordinary course of transit'.

64. We suggest that, for the purposes of FEL charges, we use the logic of this world-accepted maximum period for normal post-discharge transit to address this current imbalance.

65. We recommend that New Zealand export cargo under a marine insurance contract remain exempt for up to and including 60 days only whilst in New Zealand. For any period in excess of 60 days, FEL is charged, but only when the insured provides the insurer with formal notification that storage will exceed 60 days. The FEL is always charged for stock that is in storage when insured under a material damage policy. Where marine cargo policies provide cover outside of this 60-day transit period, FEL is chargeable but only if this is declared to the insurer. This allows New Zealand exports to flow to New Zealand ports, whilst also charging for fire risk during periods of storage.

66. We believe that this restores a balance where FENZ will receive some FEL for the export cargo contents held in cold stores, and distribution centres. New Zealand exporters will need to make declarations to both their marine and material damage insurers, using stock tracking data from their systems.

67. This recommendation goes some way to eliminating both this fire risk distortion - and in some cases FEL 'double-dipping' - at least as it concerns stock / marine cargo in New Zealand.

68. If the above recommendation is not implemented, and we continue with the existing regime, we then would recommend that export and import cargo continue to be rated as a nil FEL charge.

69. Whether the final leg of an import from a New Zealand port inland is insured under a local transit insurance policy or an import insurance policy, if the transit in New Zealand includes storage and exceeds 60 days, then a levy is payable.

Livestock & Crops

70. We note livestock and growing crops will no longer be exempt from FEL from 1 July 2026. Only some farmers and growers purchase insurance for their livestock and even fewer purchase insurance for growing crops for losses that include fire. FENZ will therefore not collect very much levy from this source. Those that do choose to insure this property may have their purchasing decisions impacted by the imposition of FEL on their insurance premium.

71. Overall, the removal of many of the exemptions will have the most impact on the rural sector and we query how these removals meet the principles of equity and universality. We also query how FENZ is likely to respond to a livestock emergency on a rural property that may be some distance away for a fire station.

72. We recommend that the levy regulations that are still to be developed make it clear that crops should only be levied once they have been harvested and become stock/produce that is normally insured.

Aircraft that only fly in New Zealand

73. From 1 July 2026 only aircraft that regularly fly internationally will be exempt from the FEL and all other aircraft currently exempt will now pay a levy. Nearly all aircraft insurance with exception of small drones is placed into international insurance markets by New Zealand insurance brokers.

74. Aircraft insurance values are in the millions with commercial aircraft flown within New Zealand insured between US$25 to US$110 million. Given these substantial values there is a risk that FENZ will be collecting a disproportionality large amount of levy from this group, particularly given that that airports often have their own firefighting services.

75. Many helicopter owners already provide firefighting assistance to FENZ.

76. The application of the FEL to insurance for these operators from 1 July 2026 would likely be passed back to FENZ in fees charged for the services the operators provide.

77. Larger New Zealand airports have airport crash and firefighting capabilities that are funded by the airport owners via landing fees. It appears that FENZ will be

collecting aircraft FEL knowing that the larger New Zealand airports have their own firefighting resources that are separately funded.

Conclusions

I. The proposed FEL rate for non-residential property needs to be reevaluated since there appears to be a misunderstanding about the difference between indemnity value and the sum insured that is normally representative of replacement insurance. If the FEL rate is not reconsidered, then building owners will face significant increases in the FEL and may experience insurance affordability issues and FENZ will collect more FEL that is required. The FEL rate needs to be substantially reduced to address this.

II. The proposed FEL for motor vehicles should be reconsidered. We believe that $40.12 is too much as it will likely cause some vehicle owners to go uninsured. $20.00 would be an ideal amount. The Motor FEL rate can be adjusted up in the future.

III. The proposed residential property caps for single and in multi-unit and mixed-use building situations will make FEL calculations difficult and potentially impractical and will require more information from owners. This proposal means insurers now see the risks of non-compliance with FEL as a significant business risk from 1 July 2026. The intent of the Fire & Emergency New Zealand Levy Amendment Act 2023 was to allow for the simple collection of the levy. The proposal outlined for future levies on residential property adds so much complexity we very much doubt that insurers will be able to calculate the levy. We recommend instead that flat levy amount for residential be used.

IV. The FEL calculation complexity for the proposed residential cap including multi-unit and mixed-use residential property is substantial and will require significant system and information changes that will likely take much longer than the previously indicated 18 months from the time we understand all the rules in the still to be agreed levy regulations if they are able to be made at all. We recommend that the current calculation system be maintained meaning that FEL be charged on each residential unit at the flat amount and if the property is more that 50% commercial then the non-residential then FEL rate will apply to the whole building.

V. The FEL rate for insured marine vessels should be reduced to a level that is a proportion of the new proposed motor vehicle levy to maintain equity and fairness.

VI. Cargo insurance arrangements are complex and for the small amounts collected we question the viability of this in the future. There is going to be an element of double dipping with parallel material damage policies that also charge FEL at the same time on the same property.

VII. Livestock and growing crops should not be levied. Crops that when harvested that are then insured as stock/produce will pay FEL.

VIII. Given the issues highlighted, we have concerns that the changes required in order for the new FEL regime to be implemented for 1 July 2026 can be achieved by the insurance industry.

Final Comment

78. ICNZ reiterates all New Zealanders desire to ensure frontline Fire and Emergency New Zealand services are resourced appropriately.

79. However, we also must ensure the method of the funding mechanism accounts for the wider and serious consumer implications and logistical, policy and cost implications to insurers.

80. We also strongly believe that the working, processes, and assumptions of the levy proposals must be up for robust scrutiny.

81. In the end, complexity in the FENZ levy collection and calculation will create cost and ICNZ is committed to ensuring the consumer and insurance sector voice is represented.

82. The Insurance Council would welcome the opportunity to meet with Fire and Emergency New Zealand to discuss this submission and the implications for the collection of the FEL from July 2026."

83. If you encounter any immediate questions, then please contact John Lucas on 0274411283; john@icnz.org.nz

Yours sincerely

Hon. Kris Faafoi
Chief Executive

John Lucas
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