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Building System Performance Team
Building, Resources and Markets
Ministry of Business, Innovation and Employment

Emailed to: building@mbie.govt.nz

ICNZ'S SUBMISSION ON IMPROVING EFFICIENCY IN THE INSPECTION PROCESS

1. Thank you for the opportunity to provide a submission on the Discussion Paper '*Improving efficiency in the inspection process: Increasing the use of Remote Inspections and Accredited Organisations*'.
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 on the Government's building regulation system reforms

3. We acknowledge that the Government is focused on increasing the supply of affordable homes and on improving efficiency and competition in the building regulation system.
4. However, ICNZ is concerned that a large number of building regulation reforms are being considered at the same time but subject to separate consultation.
5. A number of separate proposals for change have been recently put forward, making it difficult to get an overview of all the proposed changes, how they might interact, and what the cumulative effect might be. It is difficult to assess the implications for risk within the building sector and what this might mean for insurance.
6. In taking forward its reforms, it is critical that the Government considers the risks associated with its proposed changes and where those risks will fall, i.e. Will the property owner ultimately bear the risk?
7. Insurance has a role to play in risk management. However, insurers may not be willing to insure risks that are too large or that insurers find difficult to understand and measure. If there is a systematic failure in the future, such as the leaky buildings crisis, there may not be sufficient insurance cover to address the problem.

Remote inspections

8. Officials have asked a number of questions about the insurance impact of an increased use of remote inspections.
9. Officials have asked whether insurers would perceive any difference in the risk profile for buildings that have been inspected remotely (versus on site). Remote inspections may raise the risk that building defects are not detected during an inspection. We agree with the risk

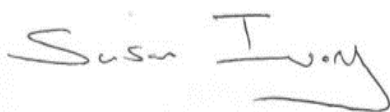
highlighted in the Cabinet Paper¹ relating to the release of the Discussion Document. It may be harder to identify defects through remote inspections, not all inspections may be suitable to be conducted remotely and some building practitioners may try to hide non-compliant work to pass an inspection. This proposal also adds another change to all the others currently being considered.

10. Officials have asked whether the use of remote inspections might impact premiums. We do not consider that this potential increased risk would increase premiums for the property owner's home insurance. This is because home insurance does not cover building defects.
11. Officials have also asked whether we consider that licensed building practitioners (**LBP**s) who do work that is inspected remotely should be required to have more insurance cover. Feedback from our members is that they would not have an appetite to cover the LBP's conduct during a remote inspection, i.e. the quality of photos/videos provided for a remote inspection. We also note that most LBPs are unlikely to have liability insurance covering the underlying quality of their work, i.e. building defects caused by poor workmanship.

Accredited organisations

12. The Discussion Paper also discusses increasing the use of accredited organisations to undertake inspections for Building Consent Authorities (**BCAs**) or engaged directly by the property owner.
13. It appears that the BCA would remain ultimately responsible for granting the building consent and any increased risks arising from using private organisations would ultimately sit with the BCA. The Discussion Document suggests that one of the conditions that might apply to a private organisation undertaking inspections would be that it must have insurance cover. Any insurance cover for BCAs or for accredited organisations will have limits, and may not be readily available, and could be exhausted if a serious issue were to arise.
14. ICNZ would not want to see a repeat of the situation which occurred in the early 2000s where some homeowners affected by the leaky building crisis were left without recourse for compensation following the introduction of a private certification scheme. When faulty work came to light, homeowners found that certifiers only held limited insurance or had wound up. Ultimately, the influx of claims against private certifiers led to the profession becoming uninsurable.
15. Thank you again for the opportunity to make this submission.

Yours sincerely



Susan Ivory
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¹ Cabinet Paper – Releasing the Discussion Document ‘*Improving efficiency in the inspection process: Increasing the use of remote inspections and Accredited Organisations*’
<https://www.mbie.govt.nz/dmsdocument/29837-releasing-the-discussion-document-improving-the-inspection-process-increasing-the-use-of-remote-inspections-and-accredited-organisations-proactiverelase-pdf>