

Client Briefing

NOVEMBER 2018

Fire and Emergency New Zealand Act 2017 – Update

The Fire and Emergency New Zealand Act 2017 (the FENZ Act) came into force on 1 July 2017. It created a single, unified fire services organisation for New Zealand by repealing the Fire Service Act 1975 and the Forest and Rural Fires Act 1977. Fire and Emergency New Zealand (FENZ) combines urban and rural fire services effective 1 July 2017.

The levy charged to fully fund the combined urban and rural fire services is 0.106%, an increase of 40% of that charged prior to July 2017.

The new levy rules were due to commence no later than July 2019.

Commencement of new levy rules to be delayed

The levy part of the FENZ Act was to commence no later than 1 July 2019 but this deadline is not achievable due to errors in the FENZ Act and the time required by insurers to build and test new systems once the new rules of how levy is to be charged are finalised.

The changes to the FENZ Act are to be split between two bills.



THE FIRE AND EMERGENCY NEW ZEALAND AMENDMENT BILL

The Fire and Emergency New Zealand Amendment Bill moves the commencement deadline of the new levy rules back to 1 July 2021, but will allow the Minister of Internal Affairs to bring this date forward to 1 July 2020.

The amendment bill also introduces museum collections insured under a fire policy as a new class of exempt property to apply from the commencement date of the amendment bill.

The Department of Internal Affairs (DIA) reports the amendment bill is expected to be introduced into Parliament in late 2018 and to be passed by 1 July 2019. A copy of this amendment bill can be found on the Fire Service Transition page of the DIA website at dia.govt.nz/Fire-Services-Transition.

SECOND AMENDMENT BILL

A second amendment bill to the FENZ Act is required to make the changes deemed necessary by DIA and FENZ in order for the FENZ Act to operate as intended.

These changes include amending how Amount Insured is defined. The Amount Insured definition is important as it forms the basis of the levy calculation. The current definition in the FENZ Act does not relate to how insurance policies operate, especially insurance policies where the sum insured differs from the value of all property insured.

DIA wants the drafting of this second amendment bill to be finalised by late 2018 with the first reading in Parliament to occur during its first sitting in 2019. It is understood DIA will be seeking submissions on this second amendment bill.

Notice of this second amendment bill should appear on the DIA website at dia.govt.nz/Fire-Services-Transition in due course.

It is reported that submissions will also be sought on any change to the rate of levy charged.

Fire and Emergency New Zealand (Levy) Regulations 2019

The FENZ Act regulations form an important part of how levy is calculated and reported on. The regulations record:

- What types of property and types of insurance are exempt from levy (where not recorded in the FENZ Act);
- How levy is calculated where there is a mix of property types, for example:
 - a building with both residential and commercial use; or
 - a policy insuring both exempt and non-exempt property.
- What the levy payer (whether an insurer, an intermediary such as a broker, or the insured) needs to report to FENZ for each insurance policy.

The draft regulations can be found on the DIA website at dia.govt.nz/Fire-Services-Transition which states they are expected to be finalised when the new levy rate is set in 2019.

It is recommended those who purchase insurance read these draft regulations and contact Marsh and/or DIA if they have any questions.

For further information

Please contact your Marsh client executive if you have any questions about these changes.

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