MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

COVERSHEET

Minister	Hon Scott Simpson	**Portfolio**	Commerce and Consumer Affairs
Title of Cabinet paper	Contracts of Insurance Act 2024: commencement and regulations	**Date to be published**	28 October 2025

List of documents that have been proactively released		
Date	**Title**	**Author**
August 2025	Contracts of Insurance Act 2024: commencement and regulations	Office of the Minister of Commerce and Consumer Affairs
20 August 2025	Contracts of Insurance Act 2024: commencement and regulations ECO-25-MIN-0130 Minute	Cabinet Office

Information redacted **YES**

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reason of Confidential advice to Government.

In Confidence

Office of the Minister of Commerce and Consumer Affairs

Cabinet Economic Policy Committee

Contracts of Insurance Act 2024: commencement and regulations

Proposal

1 This paper seeks three decisions related to the new Contracts of Insurance Act that was passed in November 2024:

1.1 policy approval for targeted regulations to support the implementation of the Contracts of Insurance Act (**the Act**);

1.2 approval for the changes to the unfair contract terms regime made by the Regulatory Systems (Economic Development) Amendment Act 2025 to come into force by Order in Council on 15 November 2027;

1.3 approval to undertake public consultation on options for regulating how insurers can use customers' genetic test results in life and health insurance.

Policy

2 The Act reforms insurance contracts law, ensuring it functions effectively for insurers and policyholders by bringing it to international standards.

Commencement of the Act and proposed regulations

3 The Act, and the related Contracts of Insurance (Repeals and Amendments) Act 2024 (**the R&A Act**), were passed on 15 November 2024. The Acts will come into force no later than three years after Royal assent – that is on 15 November 2027. The Acts could commence earlier by Order in Council. However, following consultation with industry and consumers groups, I have decided not to propose an earlier commencement date.

4 The R&A Act contains changes to unfair terms in insurance contracts. A related, second set of changes to the unfair contract terms regime is made under the Regulatory Systems (Economic Development) Amendment Act. Both set of changes should come into effect on the same date to ensure efficiency and avoid duplicative compliance.

Regulations to support the Act

5 I have consulted with industry and consumer groups on the content of regulations to support the implementation of the Act. Following this consultation, I am proposing a small number of regulations to support a smooth implementation of the regime which will reduce costs for insurers and policyholders.

6 Regulations would prescribe:

6.1 standard-form wording for insurers to help them meet their duty to notify policyholders of their disclosure duties;

6.2 the interest rate on life insurance payouts made 30 days after the notification of death. Setting an interest rate is required to enable the relevant provision of the Act to operate as intended; and

6.3 a financial limit for handling small, assigned life policies without probate or letters of administration. Setting a limit is required to enable the relevant provision of the Act to be implemented.

7 Industry and consumer groups strongly support these regulations.

Consultation on the use of genetic test results in insurance

8 The Act also contains a regulation-making power which can be used to regulate how genetic test results are used in life and health insurance underwriting. There is some evidence that the current ability for insurers to seek and use customers' genetic test results is disincentivising the uptake of genetic testing with the associated benefits. These benefits include more precise medical treatment, resulting in lower costs to the health system, and increased participation in clinical trials. The lack of regulation may also be impacting people's access to private life and health insurance on preferred terms.

9 I am therefore seeking approval to consult publicly on whether regulation is needed in this space to:

9.1 support consumers' access to private life and health insurance (thereby reducing costs to the public system)

9.2 ensure insurers have access to relevant information and support an efficient and sustainable insurance industry

9.3 facilitate health and health-related economic benefits by removing disincentives to genetic testing.

10 I note that other jurisdictions (including Australia, Canada, the United Kingdom, Singapore, and the United States) have implemented full or partial bans on insurers' use of genetic test material, and there is no material evidence of disruption to the efficiency of insurance markets, premiums or coverage terms.

11 It is important that we get a wide range of views to ensure that any decision about whether to regulate is well informed by stakeholders.

Commencement of amendments to the unfair contract terms regime

12 I propose that the amendments to the unfair contract terms regime made by the Regulatory Systems (Economic Development) Amendment Act, which affect insurance contracts, commence on 15 November 2027 by Order in Council. These amendments provide for the Financial Markets Authority (**the FMA**) to share responsibility with the Commerce Commission for enforcing compliance with unfair contract terms provisions. The R&A Act contains a second, related set of changes to the unfair contract terms regime by amending the Financial Markets Conduct Act.

13 To ensure the FMA and insurers do not need to review contracts, processes and guidance relating to unfair insurance contract terms twice, I propose that both sets of changes should come into force on the same date, 15 November 2027.

14 Only the changes contained in the Regulatory Systems (Economic Development) Amendment Act require commencement by Order in Council. The changes under the R&A Act will automatically come into force on 15 November 2027, if not commenced earlier by Order in Council.

Regulations to support the new contracts of insurance regime

Standard-form notifications of disclosure duties

15 Regulations can prescribe standard-form notifications, which insurers will be able (but will not be obligated) to use to inform prospective policyholders of their disclosure duties under the new Act. Insurers will be able to use these notifications in consumer and non-consumer contracts, and for new, renewed and varied policies.

16 Standardised notifications will reduce compliance costs for insurers and brokers and will improve policyholders' understanding of the law. Both industry and consumer groups strongly support regulations prescribing these notifications.

Interest on delayed life insurance payouts on death claims

17 The Act obligates insurers to pay interest to beneficiaries on death claim life insurance payouts made more than 30 days after the notification of death.

18 The Act provides that interest for these delayed life insurance payouts must be paid at the greater of the rate specified in the life insurance policy or the rate prescribed in regulations. Without regulations to prescribe a rate of interest, the Act's provisions will not operate as intended and can result in consumers' harm.

19 I propose that this rate be set at 100 basis points less than the Reserve Bank of New Zealand's 90-day bank bill rate, with a floor of 0%.

20 Setting this rate will ensure beneficiaries, rather than insurers, receive the benefit of interest earned on delayed payouts. It also ensures that the rate does not penalise insurers and reflects what they are able to earn on those payouts during the delays. The rate is consistent with Inland Revenue's approach to interest on overpaid tax. Industry and consumer representatives support the proposed rate.

21 I am satisfied that the proposed interest rate and calculation method are consistent with the legislative requirements of ensuring the law is simple, accessible, and predictable, and that the rate provides commercially realistic and fair compensation to persons entitled to be paid money under life policies.

Financial limit for handling small, assigned life insurance policies

22 The Act allows for handling small, assigned life insurance policies without needing probate or letters of administration.

23 The Act requires regulations to set a financial limit for these policies. Without this regulation, probate or letters of administration would have to be obtained, which would create additional costs and delays for policyholders, executors and insurers, and additional workload for the High Court.

24 I propose that the same $40,000 financial threshold soon to be set under section 65(5) of the Administration Act 1969 should also apply to the Contracts of Insurance Act 2024.

Consultation on the use of genetic test results in insurance

25 Currently, life and health insurers in New Zealand can ask customers to disclose the results of any genetic tests they have taken. This information can be used to determine the terms of insurance offered, such as the price and any conditions excluded. Other countries, including Australia, Canada, the United Kingdom, Singapore, and the United States, have restricted or banned the use of genetic tests in insurance.

26 During select committee consideration on the Act, some submitters raised concerns that up to 30 per cent of patients facing a medical decision involving genetic testing are being influenced by whether they might need to disclose the test results. This has health implications for individuals and their families (as it risks disincentivising genetic testing) as it adds costs to the public health system (including reducing uptake of more efficient treatments) and economic implications for New Zealand's medicines and clinical trials industries. As a result of this lack of legal protections, New Zealanders who take genetic tests may face reduced access to insurance, such as unaffordable premiums or exclusions.

27 In response to these concerns, the Committee introduced a regulation-making power into the Act that can prescribe how genetic test results are used in underwriting. Before recommending regulations, the Act requires me, as the responsible Minister, to consult with affected stakeholders and:

27.1 be satisfied that the regulations are necessary or desirable to avoid or mitigate any adverse effect of conduct on the health or other benefits of genetic testing;

27.2 be satisfied that the regulations are not likely to unduly prevent insurers from considering information that is highly significant to underwriting; and

27.3 have regards to the purposes of the Act and relevant overseas law and practices.

28 I am seeking approval to release the attached consultation paper for a six-week period of public consultation. Confidential advice to Government [redacted]

Confidential advice to Government

29 [redacted]

30 [redacted]

Next steps

31 I expect to submit the draft regulations on standard-form notifications of disclosure duties, interest rate on delayed life insurance payout, and the financial threshold for small, assigned life insurance policies to the Cabinet Legislation Committee by the end of 2025.

Cost-of-living Implications

32 There are no immediate cost-of-living implications from the proposals in this paper.

Financial Implications

33 The proposals in this paper have no financial implications.

Legislative Implications

34 The proposals in this paper will be implemented through regulations made under the Act and by Order in Council made under the Regulatory Systems (Economic Development) Amendment Act.

Regulatory Impact Statement

35 The Ministry for Regulation has determined that the proposals about the commencement date for the Act, the unfair contract terms changes made by the Regulatory Systems (Economic Development) Amendment Act and regulations prescribing standard form notifications, interest payable for delayed payouts on death claims, and financial limits for small, assigned life insurance policies are exempt from the requirement to provide a Regulatory Impact Statement because they have no, or only minor economic, social, or environmental impacts.

36 The consultation paper on the use of genetic test results in insurance is considered an interim Regulatory Impact Statement. An internal MBIE panel has determined that the document *Regulating the use of Genetic Test Results in Life and Health Insurance* and determined that it will lead to effective consultation and enable the development of future impact analysis. Therefore, a separate regulatory impact statement (RIS) is not required at this stage. A full RIS will be completed at a later stage to inform Cabinet's final decisions on this proposal. The panel notes that the discussion document has been informed by select committee feedback on the Contracts of Insurance Act 2024.

Population implications

37 Any policy which impacts the ability of insurers to ask for and use genetic test results in underwriting may have population implications. Certain genes may be more common in some ethnic groups, including Māori and Pacific people, and some diseases (such as cancers) with genetic links affect men and women differently. The consultation paper seeks feedback on any population implications, and I will consider these when seeking final policy decisions.

Human Rights

38 Some commenters have suggested that there are human rights implications in the use of genetic test results by insurers.

39 New Zealand’s Human Rights Act 1993 includes an exception in relation to insurance that allows insurers to offer different policies to people on grounds that are normally protected under section 44 of the Human Rights Act – such as sex, disability, and age – provided the different policies are based on actuarial or statistical data or, if no data is available, on reputable medical or actuarial advice that is reasonable to rely on.

Use of external Resources

40 No external resources were used in the policy development process.

Proactive release

41 This paper will be proactively released within 30 working days, subject to appropriate redactions.

Consultation

42 My officials have consulted with key industry and consumer groups including Insurance Brokers Association of New Zealand, Financial Services Council, Insurance Council of New Zealand, Insurance and Financial Services Ombudsman, Financial Advice New Zealand, and Consumer New Zealand.

43 The Treasury, the Ministry of Health, the Reserve Bank New Zealand, the Financial Markets Authority, the Commerce Commission have been consulted on this paper. The Department of Prime Minister and Cabinet has been informed.

Recommendations

The Minister of Commerce and Consumer affairs recommends that the Committee:

Commencement date of the Contracts of Insurance Act 2024 and the Contracts of Insurance (Repeals and Amendments) Act 2024

1 **note** that the Contracts of Insurance Act 2024 and the Contracts of Insurance (Repeals and Amendments) Act 2024 will commence on 15 November 2027

Commencement date of amendments relating to the unfair contract terms regime

2 **agree** that amendments relating to the unfair contract terms regime included in the Regulatory Systems (Economic Development) Amendment Act 2025 commence on 15 November 2027 by Order in Council

Regulations

3 **agree** that regulations under the Contracts of Insurance Act 2024 will prescribe:

3.1 standard-form notifications of policyholder's disclosure duties when first entering into, renewing, or varying a consumer or a non-consumer contract

3.2 an interest rate of 100 basis points less than the Reserve Bank of New Zealand's 90-day bank bill rate, with a floor of 0%, to be applied where death claim life insurance payouts are not made within 30 days of the death notification

3.3 a financial limit of $40,000 for reversion, vesting, or declaring the policy holder of a small, assigned life insurance policy without probate or letters of administration

4 **note** that the Minister of Commerce and Consumer Affairs is satisfied that proposed interest rate and calculation method in recommendation 3.2 is consistent with the legislative objectives of ensuring the law is simple, accessible, and predictable, and that the rate provides commercially realistic and fair compensation to persons entitled to be paid money under life policies

5 **invite** the Minister of Commerce and Consumer Affairs to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above decisions

6 **authorise** the Minister of Commerce and Consumer Affairs to make minor or technical changes to the draft regulations, consistent with the policy intent of this paper, on issues that arise during the drafting of the regulations

7 **authorise** the Minister of Commerce and Consumer Affairs to approve the release of an exposure draft of the regulations for targeted consultation, subject to the Attorney-General's protocol for release of draft legislation

Consultation on the use of genetic test results in life and health insurance

8 **approve** the release of the consultation paper: *Regulating the Use of Genetic Test Results in Life and Health Insurance* for a six-week period of public consultation.

[Authorised for lodgement]

Hon Scott Simpson

Minister of Commerce and Consumer Affairs