



Submission

by

Rental Vehicle Association (New Zealand) Incorporated

to

The Reserve Bank of New Zealand

**Re: Issues Paper: Review of the Insurance (Prudential Supervision) Act 2010
(IPSA)**

29 June 2017

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1. Foreword

1.1. The Rental Vehicle Association (New Zealand) Incorporated (**RVA**) is the industry association representing the interests of the majority of rental vehicle operators in New Zealand. The RVA's members include most of the major operators in the New Zealand rental vehicle industry and a large number of small-to-medium sized owner operators. Between them, the RVA's members manage over two thirds of the nation's rental vehicle fleet.

1.2. The rental vehicle industry is a significant contributor to New Zealand's economy and tourism industry. The tourism industry contributed over \$34.7 billion in the year ended March 2016 to GDP and there are over 31,000 rental vehicles making up New Zealand's total rental vehicle fleet.

2. Introduction

- 2.1 The RVA welcomes the opportunity to provide a submission on the Reserve Bank's *Issues Paper: Review of the Insurance (Prudential Supervision) Act 2010 (Issues Paper)* on behalf of its members.
- 2.2 The RVA notes that the Reserve Bank's release of the Issues Paper comprises part of Phase 1 of the Reserve Bank's review of the Insurance (Prudential Supervision) Act 2010 (**Act**), which aims to identify potential issues for consideration during Phase 2 of the review.
- 2.3 The RVA understands that consultation and stakeholder discussions will occur as part of Phase 2 of the review, which will see the Reserve Bank publish a series of consultation papers on specific topics in 2017 and 2018 and present key conclusions in an Options Paper in late 2018.
- 2.4 The RVA looks forward to participating in this consultation and discussion process, and respectfully asks that it be kept informed of any opportunities to engage with the Reserve Bank during Phase 2 of the review.

3. Submission

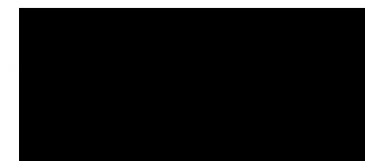
- 3.1 The RVA supports the Reserve Bank's decision to review the Insurance (Prudential Supervision) Act 2010 and endorses the terms of reference for the review.
- 3.2 As rental vehicle operators are not insurers and are not required to be licensed under the Act, the scope of the RVA's submission on the Issues Paper is relatively narrow. The submission focuses on Question 2, which has specific relevance for the rental vehicle industry.
- 3.3 Question 2 of the Issues Paper provides:

Do you consider that the Review should assess the current scope of IPSA in terms of the nature of insurance contracts or entities that are subject to the legislation? Please provide commentary in support of your view.

- 3.3 The RVA welcomes a review of the current scope of the Act, in terms of the nature of insurance contracts and entities that are subject to the legislation.
- 3.4 The RVA considers that the hire industry (of which the rental vehicle industry forms a part) could benefit from greater clarity regarding the scope of the Act.
- 3.5 Hire contracts necessarily address issues such as allocation of risk, indemnities, limitations of liability and exclusions, which are matters that also feature prominently in insurance arrangements.
- 3.6 The RVA submits that it would be beneficial to ensure that the scope of the Act is clearly demarcated, to ensure that Government policy objectives are achieved.
- 3.7 For this reason, the RVA supports a principled review of the scope of the Act with a view to promoting certainty, soundness and efficiency.

4. Conclusion

- 4.1 Thank you for the opportunity to comment on the Issues Paper.
- 4.2 The RVA looks forward to attending stakeholder meetings and providing further submissions to the Reserve Bank during Phase 2 of the review.
- 4.3 Please do not hesitate to contact the writer if you have any queries regarding this submission.



Barry Kidd

Chief Executive

Rental Vehicle Association (NZ) Inc