

Financial Markets Conduct (Conduct of Financial Institutions — Vero Liability Insurance Limited) Exemption Notice 2024

This exemption is granted by the Financial Markets Authority under section 556 of the Financial Markets Conduct Act 2013 after being satisfied of the matters set out in section 557 of that Act.

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Notice

1. Title

This notice is the Financial Markets Conduct (Conduct of Financial Institutions — Vero Liability Insurance Limited) Exemption Notice 2024.

2. Commencement

This notice comes into force on 31 March 2025.

3. Revocation

This notice is revoked on the close of 30 March 2030.

4. Interpretation

(1) In this notice, unless the context otherwise requires, —

Act means the Financial Markets Conduct Act 2013

HSDW Policy means a consumer insurance contract entered into by VL with a consumer relating to its Home Structural Defects Warranty product

HSDW policyholder means, in respect of an HSDW policy, the homeowner specified in the Schedule to the policy or, if the HSDW policy has been transferred to a subsequent homeowner, that subsequent homeowner

Out-of-force Policy means a consumer insurance contract entered into by VL with a consumer that is no longer in force on commencement of this notice

Relevant service has the same meaning as in section 446(f)(1) of the Act

VL means Vero Liability Insurance Limited

VL Governance Meeting means the VL management group, chaired by a VL Executive Director, that meets at least quarterly for the purpose of managing VL's operational and compliance obligations within risk appetite and supporting VL leadership in making risk-based decisions.

- (2) Any term or expression that is defined in the Act and used, but not defined, in this notice has the same meaning as in the Act.

5. Application of exemptions

The exemptions in clause 6 apply to VL in respect of a relevant service to the extent that it is provided in relation to the HSDW policies or the Out-of-Force Policies.

6. Exemptions

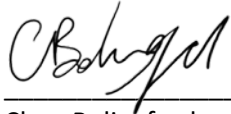
VL is exempted from compliance with the following provisions of the Act:

- (a) section 388(ca); and
- (b) section 446G(1) and (2); and
- (c) s446H; and
- (d) s446I.

7. Conditions

- (1) The exemptions in clause 6 are subject to the following conditions—
- (a) VL must not enter into any consumer insurance contract (including a contract that has the effect of operating as a renewal of a consumer insurance contract); and
 - (b) VL must ensure that the information in subclause (2) is given in writing to each HSDW policyholder annually; and
 - (c) VL must ensure that claims, complaints and other policyholder activity relating to the HSDW Policies or Out-of-Force Policies are considered by the VL Governance Meeting as a standing agenda item for assessment and reporting to the Board of Directors of VL on whether VL's conduct relating to the policyholders complies with the fair conduct principle and, if there is any failure to comply, the steps VL intends to take to mitigate any actual or potential adverse effects of the failure on the policyholder.
- (2) For the purposes of subclause (1)(b), the information is—
- (a) a statement to the effect that VL is relying on the exemptions in this notice and a brief summary of the effect of this notice; and
 - (b) a copy of the HSDW Policy wording and a brief description of the HSDW policy and the policyholder's entitlements under that policy; and
 - (c) contact details for a licensed financial advice provider who can answer any questions about the HSDW policy or the policyholder's entitlement to claim; and
 - (d) a brief description of VL's complaints and claims processes and how a policyholder can make a complaint or a claim; and
 - (e) the name, telephone number, Internet site address and email address for VL's dispute resolution scheme in New Zealand.

Dated at Auckland this 17th day of December 2024.



Clare Bolingford
Executive Director, Regulatory Deliver
Financial Markets Authority

Statement of Reasons

This notice comes into force on 31 March 2025 and is revoked on the close of 30 March 2030. It applies to Vero Liability Insurance Limited (**VL**), an insurer that is a company incorporated in New Zealand and licensed by the Reserve Bank of New Zealand as an insurer under the Insurance (Prudential Supervision) Act 2010. VL specialises in liability insurance and its insurance products are distributed by professional insurance brokers and generally not designed for or targeted to consumers. However, VL has home structural defects warranty policies (**HSDW policies**) with a very low number of policyholders in New Zealand who are consumers. The premiums on these policies are paid on entry into policy and the policies, which are for 10-year terms, and are not renewable, transfer to the subsequent owner if the relevant home is sold. VL has also entered into certain consumer insurance contracts in the past with consumers that are no longer in force (**Out-of-Force Policies**) and where there is a very low probability that a policyholder would make a late claim or lodge a complaint that may need to be managed by VL.

This notice exempts VL from the requirements under Part 6 of the Financial Markets Conduct Act 2013 (**the Act**) in respect of a relevant service to the extent that it is provided in relation to the HSDW Policies or the Out-of-Force Policies to:

- (a) be licensed as a financial institution; and
- (b) establish, implement, maintain, and comply with an effective fair conduct programme.

The exemptions are subject to conditions that:

- (a) prevent VL entering into any consumer insurance contracts; and
- (b) require VL to give policyholders under the HSDW Policies annual information including:
 - (i) a statement that VL is relying on the exemptions in the notice and a brief summary of the effect of the notice; and
 - (ii) the HSDW Policy and their entitlements under that policy and how to obtain further information and how to make a claim or a complaint; and
- (c) require VL to maintain appropriate oversight over policyholder complaints, claims or other activity relating to the HSDW policies or Out-of-Force Policies to assess whether VL's conduct relating to the policyholders complies with the fair conduct principle and, if there is any failure to comply, consider the steps it intends to take to mitigate any actual or potential adverse effects of the failure on the policyholder.

The Financial Markets Authority (the **FMA**), after satisfying itself as to the matters set out in section 557 of the Act, considers it appropriate to grant the exemptions because—

- VL has only a very small number of consumer insurance contracts in force, there is a low probability of late claims or complaints under Out-of-Force consumer insurance contracts and conditions will prevent VL entering into any new consumer insurance contracts
- in view of this, the costs of being licensed and complying with the duties to establish, implement, maintain, and comply with an effective fair conduct programme to meet the fair conduct principle under the Act are likely to outweigh the benefits for those consumers
- as the HSDW policies and Out-of-Force Policies have already been purchased and no further premium payments are required, the key risks to policyholders relate to awareness of their entitlements under the policy and conduct risks in relation to any claims or complaints
- conditions will require VL to give policyholders under HSDW Policies relevant information and assistance to help them understand their entitlements under the policy and how to make a

claim or lodge a complaint. This will enable them to make informed decisions about and confidently exercise their rights under those policies

- VL will also be required to maintain appropriate oversight over any policyholder complaints, claims or other activity relating to the HSDW Policies and Out-of-Force Policies to assess whether its conduct complies with the fair conduct principle and, and, if there is a failure to comply, to consider the steps it intends to take to mitigate any actual or potential adverse effects of that non-compliance on the policyholder
- as such, the FMA is satisfied that granting the exemptions is desirable in order to promote the purposes of the Act, specifically to promote the confident and informed participation of businesses, and consumers in the financial markets and to avoid unnecessary compliance costs
- given the limited application of the exemptions to where an insurer only has a very small number of consumer insurance contracts and conditions prevent further offers of consumer insurance contracts, the exemptions are not broader than is reasonably necessary to address the matters to which they relate.