

Regulatory Affairs  
Privacy of natural persons

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Social Unemployment Insurance Tripartite Working Group  
Ministry of Business, Innovation and Employment  
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Dear Sir or Madam

## Bank of New Zealand's submission on the Income NZ Insurance Scheme Discussion Document

### 1. Introduction

Bank of New Zealand ("BNZ") appreciates the opportunity to contribute to the discussion on a new solution to better protect workers and the economy. BNZ agrees that there is a strong case to introduce a system to manage a large-scale displacement of employees and to support the training of displaced workers to return them to meaningful work. BNZ also recognises that there is a disparity between the support a person receives if they cannot work due to an injury caused by an accident and those that cannot work due to a non-accident health condition or disability.

However, BNZ does have three high level concerns with the New Zealand Income Insurance Scheme ("NZIIS") as the proposed solution to these problems namely:

1. The "one size fits all" approach of the NZIIS does not leave room for employers and employees to pursue alternative solutions to address these solutions. As an alternative BNZ supports giving employers the ability to "opt-out" of the redundancy contribution of the NZIIS if they can demonstrate that they provide equivalent or better conditions to those offered by the NZIIS.
2. The combination of the health and disability scheme with displacement conflates two distinct issues and complicates the NZIIS proposal. BNZ would prefer that these were considered separately and supports the FSC submissions on this point.
3. The proposed timing for the implementation of the NZIIS is 2023. BNZ considers this is unrealistic given both the significant scope of the proposed reform and the current economic challenges. In addition, the financial services industry would have to manage its response to this alongside the extensive reform agenda already in place for 2022/2023 (see the Council of Financial Regulator's Regulatory Initiatives Calendar for more details<sup>1</sup>). We consider this short timeframe risks meaningful engagement with this sector in particular.

### 2. QUESTION 1: Do you agree New Zealand should introduce an income insurance scheme for displacement and loss of work due to health conditions or disabilities?

BNZ recognises there are a number of forces including climate change, evolving technology and future pandemics that will impact the future of work and that large scale disruption of the employment market is a real risk. In light of this BNZ agrees that there a place for a widespread income insurance scheme for the potential displacement of workers.

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<sup>1</sup> See the [Council of Financial Regulator's Regulatory Initiatives Calendar](#)

BNZ sees the NZIIS as filling a gap for a large percentage of New Zealanders that do not currently have any protection if they lose their job due to these forces and through no fault of their own. However, BNZ itself is largely agnostic as to the exact coverage of the NZIIS in relation to displacement on the basis that it intends to continue to offer an 'equivalent or better' option for its permanent employees on the assumption it can "opt-out" of the NZIIS.

BNZ does not support NZIIS becoming a universal scheme and would prefer that employers who can demonstrate that they provide redundancy benefits equal to or better than the NZIIS can apply for "exemption" of the scheme. BNZ understands this is an option for some employers in other jurisdictions that offer similar schemes. Without this option, it is very unclear how the NZIIS is supposed to work for employers that want to continue to offer generous redundancy packages but are also required (alongside their employees) to contribute to the NZIIS.

Unless an 'employer exemption' provision is available, as currently drafted, the NZIIS would likely erode the existing level of entitlements for employees of larger companies (who typically provide more extensive redundancy provisions than small / medium enterprises). A parallel to the exemption scenario was the introduction of KiwiSaver, where employers could claim exempt status where certain conditions were met for pre-existing schemes.

If an exemption option isn't provided, is it the expectation that employees who are already covered for redundancy through their employment contract are required to contribute to insurance that they will never use i.e., the levy for the NZIIS, or are they required to forfeit the more generous offering from their employer? Similarly, is it the intention that such employers will be able to deduct the levies payable to the NZIIS from their contractual commitments? The Discussion Document is silent on both these points.

BNZ, along with many other large employers, also provides extensive health and disability cover and so similar issues arise in relation to potential overlaps in cover and costs. However, in contrast to displacement cover, BNZ does not support the inclusion of health and disability cover in the NZIIS. BNZ would prefer that health and disability cover is dealt with separately and supports the position set out in the FSC submission that managing this issue would be better solved via a public/private partnership model.

3. All enquiries on this submission may be directed to Paul Hay, GM Regulatory Affairs at  
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Yours sincerely  
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persons

Paul Hay  
**GM, Regulatory Affairs**