

# Guidance Note

## Insurance Schedules

### Purpose of this guidance note

This guidance note provides further information about requirements to provide evidence of current and sufficient insurance as part of our application and annual monitoring processes.

### Introduction

To satisfy the requirements of a Class 1: Social Landlord, your organisation must remain financially viable and solvent at all times<sup>1</sup> so you can continue to meet the housing needs of your tenants. Ensuring that you have sufficient insurance to manage any risk exposure is an important aspect of this. Providing current insurance schedules is a mandatory requirement of the application process and annual monitoring. The insurance schedules help us confirm your organisation is managing its risk from an organisational perspective as well as protecting its assets and minimising any liability.

### What are sufficient levels of insurance?

The Authority is unable to provide advice or guidance on insurance products and levels. Insurance advice should be sought from a suitably qualified advisor and approved for purchase using your own delegation and authorising process. When considering insurance providers, we recommend you consider their financial strength rating. More information about these can be found on the [Reserve Bank of New Zealand](#) page. Additional business insurance information can be found on the Insurance Council of New Zealand (ICNZ) website [including this guide for smaller businesses](#).

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<sup>1</sup> Performance Standard 3

The ICNZ also recommends the [“Cover Your Assets” Guide](#) which provides information on managing your risks, selecting insurance and an insurer.

### What type of insurance is required?

We adopt a proportional approach when considering insurance requirements. This recognises that each community housing provider (CHP) will have different insurance needs, depending on if they own or lease the property, and the nature of their business operations and the associated risks. All providers are required to demonstrate, within Board minutes, that ongoing consideration is given to sufficient insurance coverage. Depending on the specific configuration of each CHP, appropriate insurance is likely to include organisational insurance and in the case of CHPs that own tenanted properties<sup>2</sup>, material damage insurance. More specific insurance requirements may be required by funding partners.

Organisation insurance may include (but is not limited to):

- Business interruption
- General liability
- Officers’ liability
- Professional indemnity
- Statutory liability
- Employer’s liability
- Employment disputes
- Crime/fidelity
- Appropriate insurance for non-housing assets

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<sup>2</sup> Performance Standard 5 (c)

You should seek professional advice as to what insurance your organisation requires to appropriately manage your risks and ensure sustainable tenancies.

#### **What does the Authority need to see?**

To satisfy the Performance Standards, you must provide copies of insurance policies with the specified coverage and policy dates **on the insurer's letterhead** at application and as part of annual monitoring. Your policies and procedures must reference regular reviews of insurance coverage and include a statement of commitment from your Board to continue to provide accommodation in the event of an occurrence requiring an insurance claim. If insurance coverage is provided through parent company policy/s, the registered subsidiary must be a named beneficiary in the policy/s.

If there are changes to your insurance coverage which have implications for your financial viability, you will need to inform us as soon as is practicable. This includes:

- If a policy is cancelled or coverage is significantly reduced
- If an insurance claim is refused that causes concern to the ongoing financial viability of the organisation

#### **Methamphetamine insurance coverage**

Addressing the financial risks posed by potential methamphetamine contamination has presented insurance challenges for providers. CHPs should undertake a comprehensive risk mitigation assessment with the outcomes clearly reflected in policies, procedures and insurance coverage. CHPs should also keep up to date with any regulations addressing landlord and tenant responsibilities relating to methamphetamine contamination, including how acceptable levels of contamination are determined, and how testing and decontamination processes are defined. Where possible, CHPs should

seek policy coverage which indemnifies against methamphetamine associated property damage.

#### **Unable to obtain sufficient insurance coverage?**

In some instances, CHPs have been unable to secure sufficient insurance coverage to mitigate all financial risks associated with their operations. This may include properties in regions which are deemed a high risk of natural disasters or properties exposed to environmental contaminants such as methamphetamine. If you are unable to secure sufficient coverage, you may need to consider if your organisation is able to self-insure. If your organisation cannot self-insure, your Board will need to develop appropriate mitigation strategies to manage, as much as possible, the risk associated with any uninsurable events.

#### **Insurance Requirements under the Residential Tenancies Act 1986**

Section 49B(3) of the Residential Tenancies Act 1986 sets out the circumstances in which tenant liability in the event of damage to the property is limited. Insurance products you purchase should reflect the requirements of the Act. Agreements with tenants should also clearly state what risks are covered by your policy and what risks tenants are expected to insure against.

Further guidance on our regulatory processes and maintaining compliance with the Performance Standards can also be found on our website <https://chra.hud.govt.nz/>, or you can contact us at [CHRA@hud.govt.nz](mailto:CHRA@hud.govt.nz) to discuss further.