MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Regulatory Impact Statement: removal of health and life insurers from the climate-related disclosures regime

Decision sought	Policy decisions on whether to remove health and life insurers from the climate-related disclosures regime.
Agency responsible	Ministry of Business, Innovation and Employment (**MBIE**)
Proposing Ministers	Hon Cameron Brewer, Minister of Commerce and Consumer Affairs
Date finalised	29 April 2026

The Minister of Commerce and Consumer Affairs intends to remove health and life insurers from New Zealand's climate-related disclosures regime so that they are no longer required to produce and lodge annual climate statements.

Summary: Problem definition and options

What is the policy problem?

New Zealand's climate-related disclosures (**CRD**) regime requires large financial markets institutions to report annually on their climate-related risks and opportunities. The regime aims to support more informed business and investment decisions and assist the transition to a low emissions economy.

Following public consultation, the Government agreed to make changes to the CRD regime to raise the reporting thresholds for listed issuers, remove managed investment scheme managers (**MIS managers**) from the regime and adjust the liability settings.

The Regulatory Impact Statement supporting this decision making is here.

The intent was to make the regime more proportionate for the New Zealand context. These changes are being progressed in the Financial Markets Conduct Amendment Bill that is currently before the House.

A submission by the Financial Services Council (**FSC**) at Select Committee stage for the Financial Markets Conduct Amendment Bill recommended that health and life insurers should also be removed from the regime. The Minister of Commerce and Consumer Affairs has asked MBIE to assess whether health and life insurers should be excluded from the regime within the context of the original policy problem for the changes that have already been agreed.

The policy problem addressed in the previous Regulatory Impact Statement was:

> *The problem is that the cost to produce climate-related disclosures is disproportionate to the perceived benefit of the disclosed information. This is caused by the reporting requirements targeting too broad a group (listed issuers), including some entities that are not a good fit for the CRD regime's current settings (MIS managers) resulting in disclosures that are not useful, combined with liability settings that add costs and do not encourage fulsome disclosure.*

This analysis supplements the original Regulatory Impact Statement (**RIS**) by considering whether, in addition to the already agreed changes, health and life insurers should also be removed from the regime.

What is the policy objective?

As health and life insurers are being looked at within the context of the original policy problem, this analysis uses the same objectives that guided the original RIS. The original RIS stated that:

The main objective of the proposals is to ensure that the right entities are reporting so that the CRD regime encourages our transition to a low-emissions economy through investors and entities being well-informed about climate risks and opportunities but does not become a barrier to doing business in New Zealand.

Secondary objectives are to ensure that:

- *a. the CRD regime does not disproportionately impact the competitiveness of New Zealand's capital markets*
- *b. directors and climate-reporting entities (**CREs**) have the right incentives to encourage robust, useful and trustworthy climate reporting in New Zealand.*

Indicators to measure success or failure would include market feedback and ongoing reviews of climate statements by the Financial Markets Authority (**FMA**).

What policy options have been considered, including any alternatives to regulation?

The options considered are:

- **Option One - counterfactual**: no regulatory change, health and life insurers stay in the regime with some assistance given to the health and life insurers by the External Reporting Board (**XRB**) and FMA in the form of materiality guidance from the XRB, and discussions with insurers about the primary users of the reports.
- **Option Two - raise the reporting threshold for health and life insurers**: raise the reporting threshold for health and life insurers from $1 billion in assets and/or $250 million in revenue to $1 billion in assets and/or $1 billion in revenue, via amendments to the Financial Markets Conduct Act 2013 (**FMC Act**).
- **Option Three - remove health and life insurers**: remove health and life insurers from the CRD regime via amendments to the FMC Act.

What consultation has been undertaken?

MBIE has consulted with the FMA and the XRB on the implications of the proposal and has had discussions with the FSC about the regime and the costs of disclosure for health and life insurers.

No direct consultation with health and life insurers has been carried out.

MBIE has drawn on information from the earlier public consultation process, undertaken before Cabinet agreed to make targeted changes to the regime, as well as relevant insights from the FSC's December 2025 select committee submission.

Is the preferred option in the Cabinet paper the same as preferred option in the RIS?

The preferred option in the Cabinet paper is not the same as the preferred option in the RIS. The Minister prefers option 3 (removing health and life insurers from the CRD regime). The preferred option in this RIS is option 1 - the counterfactual (health and life insurers continue to report under the CRD regime), reflecting the absence of evidence that current reporting costs are disproportionate to the benefits of disclosure and the risks of further scope reductions at an early stage of implementation.

Summary: Minister's preferred option in the Cabinet paper

Costs (Core information)

Outline the key monetised and non-monetised costs, where those costs fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)

The health and life insurers, regulators and investors would not incur any additional direct costs. There would be a non-monetised cost in the form of reduced information availability for existing and potential investors, regulators, and for entities themselves.

Further reducing the number of climate-reporting entities risks weakening the overall integrity and effectiveness of the CRD regime, which relies on maintaining a sufficient volume of disclosures to support comparability, market confidence, and robust assessment of climate-related risks and opportunities. Given the uncertainties about the impact of the upcoming changes - particularly the reduction in the number of listed issuers reporting and the removal of MIS managers – and no firm evidence to say whether or not the regime is achieving its objectives, it is difficult to quantify this impact. However, there is a risk that additional reductions in the reporting population could erode confidence in the regime as a whole and limit its ability to achieve its intended system-level objectives.

There will be a reduction in the funding from the FMA levy that is payable to the Crown by climate reporting entities of approximately $50,000 Confidential advice to Government

Confidential advice to Government

Benefits (Core information)

Outline the key monetised and non-monetised benefits, where those benefits fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)

The benefits are cost savings for the nine health and life insurers. The savings are estimated to average approximately $261,500 - $600,000 per insurer. However, there is some uncertainty about health and life insurer costs as explained further in this analysis.

Balance of benefits and costs (Core information)

Does the RIS indicate that the benefits of the Minister's preferred option are likely to outweigh the costs?

The RIS does not indicate that the benefits of the Minister's preferred option are likely to outweigh the costs once the non-monetised impacts are taken into account. While there may be some compliance relief for the entities excluded, we do not think there is evidence that the costs of compliance outweigh the intended benefits of the regime, whilst also acknowledging the regime has not been in place long enough to have evidence that it is meeting its objectives. The reduction in benefits include reduced information availability for both the entities themselves and the wider market, and the indirect cost to the CRD regime arising from the removal of an additional sub-group of reporting entities.

The CRD framework relies on maintaining a broad reporting base to support comparability, market confidence, and system-wide assessment of climate-related risks. Further reducing the number of climate-reporting entities, particularly ahead of observing the effects of the already agreed changes to reporting numbers, creates a risk of weakening the regime's overall integrity. As these impacts may constrain the regime's ability to achieve its objectives, and would reduce information availability in the absence of clear evidence of disproportionate costs, the RIS concludes that the benefits of the Minister's preferred option do not outweigh the associated costs.

Summary: MBIE's preferred option

Costs (Core information)

Outline the key monetised and non-monetised costs, where those costs fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)

There are no additional monetised costs for health and life insurers beyond those already associated with the existing CRD regime. The annual costs are estimated as $261,500 - $600,000 per insurer. Any work undertaken by the XRB and the FMA as part of option 1 (such as the XRB developing guidance on materiality) is expected to be delivered within existing baselines. Accordingly, there are no additional costs to the Crown.

There are also no new non-monetised costs, beyond those already associated with the existing CRD regime, under MBIE's preferred option.

Benefits (Core information)

Outline the key monetised and non-monetised benefits, where those benefits fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)

Health and life insurers are a core part of New Zealand's financial markets and continued reporting by health and life insurers is expected to support the effectiveness of the CRD regime over time.

The development of the status quo, particularly via the production of materiality guidance by the XRB, will assist insurers who may otherwise over-report or produce disclosures of limited usefulness due to uncertainty about materiality thresholds. The preferred option therefore reduces the likelihood of unnecessary compliance effort and supports more meaningful disclosures.

Balance of benefits and costs (Core information)
Does the RIS indicate that the benefits of MBIE's preferred option are likely to outweigh the costs? The RIS indicates that, on balance and under current evidence, the benefits of MBIE's preferred option outweighs the costs. MBIE's preferred option maintains health and life insurers within the CRD regime, which supports the integrity and comparability of climate disclosures across financial markets. The CRD framework relies on having sufficient reporting entities to provide meaningful system-level insights into climate-related risks. Maintaining this group in scope, combined with guidance to ensure reporting is proportionate and material, supports the overall effectiveness and durability of the regime.

Implementation
How will the proposal be implemented, who will implement it, and what are the risks? The Minister's proposal will be implemented via an amendment to the Financial Markets Conduct Act. This can be achieved via an amendment paper to the Financial Markets Conduct Amendment Bill that is currently before the House at second reading stage. Confidential advice to Government Confidential advice to Government

Limitations and Constraints on Analysis

This analysis is subject to several key limitations.

The CRD regime is at an early stage of implementation, with only a small number of reporting cycles completed. As a result, there is limited evidence at this stage on whether the regime is achieving its intended objectives, which constrains the ability to assess the full costs and benefits of reporting or the impacts of further scope changes. Additionally, there was no consultation with end users about the potential exclusion of health and life insurers, which may have otherwise provided some insight on whether the regime is likely to be effective and whether the proposed change would undermine it.

Substantial changes to the CRD regime have also already been agreed by Cabinet, including changes to listed issuer reporting thresholds, the removal of MIS managers, and adjustments to liability settings. The effects of these changes on costs, reporting behaviour, and the overall reporting population have not yet been observed, creating uncertainty when assessing the incremental impact of any additional changes.

There is further uncertainty regarding the costs incurred by health and life insurers to produce climate statements. Available information varies depending on methodology and scope, and therefore we have had to treat cost estimates as indicative.

Finally, some potentially significant impacts, such as effects on regime coherence, comparability, and long-term durability, are non-monetised and difficult to quantify. Consultation for this supplementary analysis has also been targeted rather than comprehensive, which limits the available evidence base.

I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.

Responsible Manager(s) signature:
Gillian Sharp
Manager, Corporate Governance and Intellectual Property Policy
29 April 2026

Quality Assurance Statement

Reviewing Agency: MBIE	**QA rating:** Meets

Panel Comment:

An internal quality assurance panel from MBIE reviewed the Regulatory Impact Statement (RIS) on the removal of health and life insurers from the climate-related disclosures regime on 24 April 2026.

The panel considers that the information and analysis summarised in the RIS meets the Quality Assurance criteria. The panel notes that broader consultation may have provided greater insights about the potential effectiveness of the regime and the impact of removing life and health insurers from it. However, the RIS otherwise presents a robust analysis of options regarding this further proposed change to the climate reporting disclosure regime.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

Climate-related disclosures regime purpose and regulatory framework

1. New Zealand's mandatory climate-related disclosures regime (**CRD regime**) was established in 2021, in response to what the Productivity Commission termed "an ongoing and systemic overvaluation of emissions-intensive activities", resulting in poor medium- to long-term decision making, mispricing of assets and the misallocation of capital.

2. The regime was designed with actors in financial markets, from businesses seeking capital, to institutional and retail investors who are seeking returns, as the intended beneficiaries and users of climate-related disclosures. The CRD regime applies to large financial market participants because of the role financial markets play in shaping investment decisions and managing long-term risk, rather than solely based on the level of direct climate exposure faced by individual firms.

3. The intervention logic of this regime is that it creates a chain of information across financial markets. For example, an NZX listed company discloses information about how climate change may present risks and opportunities in the short-, medium-, and long-term, and how it is mitigating or optimising that, within its annual reports. Banks and insurers can then use that information to make underwriting and lending decisions, and fund managers can use it to make asset allocation decisions. In turn the ultimate investors (e.g., institutional investors and retail investors) are able to use the disclosures to make more informed decisions on where to invest.

4. The exercise of producing disclosures, and these becoming public, may additionally prompt companies to make different strategic decisions to improve resilience against climate change.

5. The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021[1] introduced the legislative framework for the CRD regime, making New Zealand the first country to implement a mandatory, standards-based climate-related disclosures regime. The legislative framework was designed to:

   a. ensure that the effects of climate change are routinely considered in business, investment, lending, and insurance underwriting decisions

   b. help reporting entities better demonstrate responsibility and foresight in their consideration of climate issues

   c. lead to smarter, more efficient allocation of capital, and help smooth the transition to a more sustainable, low-emissions economy.

6. The CRD regime requires climate reporting entities (**CREs**) to prepare annual climate statements disclosing their climate-related risks and opportunities. The first climate statements were lodged in 2024.

[1] This Act amended the Financial Markets Conduct Act 2013 (**FMC Act**), Financial Reporting Act 2013 (**FR Act**) and the Public Audit Act 2001.

Key participants in the CRD regime

7. There are several key participants in the CRD regime:

Participant	Description
Climate-reporting entities (**CREs**)	The entities that must produce climate statements. As introduced, the CRD regime requires disclosures to be made by: • registered banks, credit unions and building societies with greater than $1 billion in total assets • managers of registered investment schemes (**MIS managers**) with total assets under management of more than $1 billion • licensed insurers with greater than $1 billion in total assets or annual gross premium revenue greater than $250 million • listed issuers with more than $60 million in market capitalisation (or quoted debt)
Users of climate-related disclosures e.g., investors	The primary users are defined in the climate standards as "existing and potential investors, lenders and other creditors". The CREs themselves are also anticipated users, as the process of disclosing information will help them to identify their climate risks and opportunities and may prompt them to make different strategic decisions. In addition, it is also intended that the climate statements may be used by regulators and the wider market.
External Reporting Board (**XRB**)	Issues the climate standards that the CREs must use to prepare climate statements[2]. They can issue different reporting standards for different entity types and sizes[3].
Financial Markets Authority (**FMA**)	Responsible for independent monitoring and enforcement of the CRD regime and can grant class or individual exemptions from climate reporting where appropriate.
MBIE	Responsible for the legislation.

8. Approximately 164 entities were required to prepare climate-related disclosures for the second year of the regime (2025). However, this number is set to decrease when Cabinet decisions to reduce the scope of the regime are implemented, as discussed below.

[2] Aotearoa New Zealand Climate Standards » XRB
[3] Refer section 19C of the FR Act

Number of reporting entities before and after amendments

Class of climate-reporting entity (CRE)	Number reporting currently	Number reporting after implementing legislation changes currently underway	Number reporting under Minister's preferred option
Registered banks	24	24	24
Credit unions	0	0	0
Building society	1	1	1
Licensed insurers	17	17	8
Listed issuers	100	34	34
Managers of registered investment schemes (MIS),	22	0	0
Total number of CREs	**164**	**76**	**67**

9. The standards issued by the XRB cover four climate-related information pillars: governance, strategy, risk management, and metrics and targets, consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (**TCFD**).

10. New Zealand's standards are broadly aligned with the standards produced by the International Sustainability Standards Board. The XRB consulted on the international alignment of New Zealand climate standards in April 2025 to discover if further harmonisation was desirable. Feedback supported international alignment, particularly with Australia, but emphasised stability and a phased approach to any change. The next step is for the XRB to consult on a climate reporting roadmap.

The international landscape for climate reporting is not settled

11. Climate reporting regimes are being implemented across the world in jurisdictions such as the European Union, Australia, China, the United Kingdom and Hong Kong.

12. As regimes have moved from design to implementation, a number of jurisdictions have faced challenges in determining the most effective approach to operationalise climate-related disclosures. Several have adjusted their policy settings by delaying or pausing their regimes or scaling back the number of entities required to report. For example:

    a. The European Union has announced it is reducing the number of entities that must report and reducing the complexity of the disclosures.

    b. Singapore has announced a five-year delay for reporting for smaller listed companies until 2030.

    c. The USA has stopped the implementation of their climate reporting rules (although California and some other states are still proceeding with their regimes).

    d. The Canadian Securities Administrators have paused the development of a new mandatory climate-related disclosure rule.

Stakeholder issues with the regime during its first year and Government consultation

13. Many CREs and industry groups have emphasised the importance of climate reporting and are supportive of a regulatory regime to mandate disclosures.

14. However, during the first year of reporting stakeholders reported issues with the regime, such as:

    a. the cost of compliance was high in some instances (for smaller listed issuers and MIS managers)

    b. the regime was a barrier to listing on the NZX

    c. reports produced by MIS managers were not useful, and

    d. director liability settings discouraged CREs from disclosing certain types of useful information and increased costs.

15. In response to this feedback, Cabinet approved a MBIE discussion document to undertake public consultation from 13 December 2024 until 14 February 2025 on potential adjustments to the regime. The focus of the consultation was on reporting thresholds for listed issuers and MIS managers, and the liability settings. The intent was to right-size the regime for the New Zealand environment rather than undertake a wholesale review of the regime.

16. The consultation did not assess all aspects of the CRD regime or its underlying design principles. For example, it did not assess the rationale for capturing large financial institutions as reporting entities to support efficient capital allocation and the transition to a low-emissions economy. The regime design does not require large financial institutions to report because they necessarily face the biggest climate risks but because the regime is designed to use the levers available in the financial markets to drive a change in investment patterns.

The Government is already implementing regulatory change through the Financial Markets Conduct Amendment Bill

17. Following public consultation, in October 2025 the Government agreed to make some changes to the CRD regime to:

    a. raise the reporting thresholds for listed issuers from $60 million in market capitalisation or quoted debt to $1 billion

    b. remove MIS managers from the regime

    c. make changes to the liability settings to remove deemed director liability for certain entity breaches and so that directors and entities do not have to have the same high level of evidence for their climate disclosures as they do for their financial disclosures

    d. enable the monetary reporting thresholds for the regime to be raised (but not lowered) by Order in Council, with appropriate safeguards.

18. The regulatory impact statement relating to these changes can be found here.

19. The listed issuer reporting threshold was raised due to concerns about high costs falling on small to mid-sized listed issuers and the potential impact of this on NZX listings. MIS managers were removed from the regime following consistent feedback that the information produced under existing requirements was not well aligned with the policy intent. The disclosures were unlikely to become materially more useful without more fundamental changes to the reporting requirements.

20. The key change to the liability settings was to remove deemed director liability. The application of section 534(1)(cb) of the FMC Act means that (subject to some potential defences) directors of climate reporting entities have automatic liability for certain entity breaches regardless of their actual involvement in a contravention. This was causing directors to have a high level of involvement in all aspects of the preparation of the climate statements to try and avoid potential liabilities. This in turn was causing additional costs to be incurred.

21. The adjustments to the CRD regime agreed by Cabinet last year were submitted in an Amendment Paper to the Select Committee for the Financial Markets Conduct Amendment Bill so that the Committee could consider including them in the Bill.

22. The Committee invited submissions on the Amendment Paper and the Financial Services Council (**FSC**) submitted that health and life insurers should also be removed from the regime. However, the Committee's report back to the House but did not recommend removing health and life insurers from the CRD regime.

23. In the Departmental Report on the Amendment Paper, MBIE noted that many of the submissions to the Committee, including the proposal to remove health and life insurers from the regime, were beyond the scope of the Amendment Paper and that an analysis of these sorts of proposals would require more detailed consideration.

24. The Minister has asked MBIE to consider whether health and life insurers should also be removed from the CRD regime.

What are the issues for health and life insurers

25. There are 17 insurers currently covered by New Zealand's CRD regime, nine of which are health and life insurers. Insurers were included in the CRD regime as part of the original design because of their role as large financial market participants with influence over investment decisions and capital allocation.

26. The FSC has raised questions about whether the inclusion of health and life insurers remains appropriate, given their business models and perceived exposure to climate-related risks, particularly when compared with general insurers.

Stakeholder views

27. The FSC has submitted that climate statements produced by health and life insurers are generally high-level and provide limited decision-useful information. The FSC considers that the CRD regime imposes disproportionate compliance costs on health and life insurers relative to the benefits of the disclosures. It argues that health and life insurers have limited ability to influence the transition to a low-emissions economy compared with general insurers, who can influence behaviour through their property insurance activities

28. The FSC has also stated that the primary function of health and life insurers is to provide financial protection against personal health and mortality risks, and that these insurers are not materially exposed to physical climate risks such as floods and storms in the same way as general insurers.

29. The FMA has observed that climate statements produced by health and life insurers to date tend to be high level and non-specific, and they agree that health and life insurers should be removed from the regime.

30. The FMA has considered exemption applications (or expressions of interest in exemptions) from two large health insurers seeking relief from their reporting obligations. These insurers argued that they do not have any primary users. As noted earlier, primary

users are defined in the climate standards as "existing and potential investors, lenders and other creditors". However, the FMA's exemption-making powers are constrained by the legislative framework, and it has not been able to grant exemptions given the clear statutory intent that health and life insurers be included in the regime. In addition, policyholders are considered to fall within the definition of one of the primary users as existing or potential creditors.

31. The XRB advises that insurers, like all climate reporting entities, are only obliged to include "material" information in their reports and they would be happy to produce guidance for the insurance industry to further clarify what this means. An increased understanding and focus on materiality may reduce the reporting burden for climate reporting entities and increase the usefulness of the reports for primary users.

Current regulatory settings

32. Under the Financial Markets Conduct Act 2013, health and life insurers meeting the relevant size thresholds are required to prepare climate statements. While transitional provisions and regulatory guidance provide some flexibility, changes to the scope of the regime for insurers would require legislative amendment.

Expected development of the status quo if no action is taken

33. Our regime is in its infancy and predicting what may happen in the future is challenging for a number of reasons:

    a. Because there is only limited real world experience in New Zealand and overseas, both in terms of preparing the reports and understanding the benefits it may bring to individual businesses and the wider economy, there is limited information to determine if the regime is achieving its objectives.

    b. The costs and burden of reporting may reduce over time as businesses become more experienced and reporting becomes more embedded – but it is not clear how much of a reduction there might be.

    c. Changes to the CRD regime are already agreed but their effects on overall reporting costs and the size of the reporting population have not yet been observed.

34. If the status quo is maintained, health and life insurers will continue to report. However, of the nine, two (Resolution Life and Swiss Re) will likely take advantage of a new FMA exemption for overseas incorporated CREs.[4] This permits insurers incorporated in Australia, who operate in New Zealand via a branch, to comply with the New Zealand reporting requirements by lodging their Australian climate statements. Consequently only 7 health and life insurers are likely to have continued climate related disclosure reporting obligations.

35. In contrast to MIS managers, we consider that issues raised by health and life insurers are more amenable to operational refinement within the existing framework. Improvements in the reports and possible cost savings for the reporters could be achieved via guidance and discussions between industry and the FMA and XRB. The FMA has observed that some health and life insurers may be making disclosures that are not material and the XRB is able to provide some guidance about materiality and what this means.

[4] [Financial Markets Conduct (Climate-related Disclosures for Overseas Climate Reporting Entities) Exemption Notice 2026 | New Zealand Legislation]

36. There is also the potential for the XRB and FMA to help health and life insurers better frame their climate statements through discussions about the primary users of the statements. As noted above, some insurers have argued that they don't have primary users which we do not consider to be the case.

37. As pieces of secondary legislation, the climate reporting standards can also be reviewed and adjusted over time in response to implementation feedback.

38. In the future, it would also be possible to adjust the reporting threshold for insurers through the Order in Council process introduced in the Financial Markets Conduct Amendment Bill. This mechanism allows thresholds to be raised following consultation and consideration of whether disclosure objectives remain appropriately balanced against the risk of disproportionate compliance costs. However, the threshold could only be raised for all insurers and not just health and life insurers.

What is the policy problem or opportunity?

39. The Minister has asked MBIE to consider whether health and life insurers should be removed from the regime alongside the other changes agreed by Cabinet. We have therefore assessed the issue of whether to remove health and life insurers from the CRD regime within the context of the original policy problem. Adopting the same framing will ensure consistency and continuity with the earlier decision making.

40. The policy problem addressed in the original RIS, which we are using in this analysis in relation to health and life insurers, was:

    The costs to produce climate-related disclosures are disproportionate to the perceived benefit of the disclosed information.

    This problem is caused by the reporting requirements targeting too broad a group (listed issuers) and including some entities that are not a good fit for the CRD regime's current settings (MIS managers) resulting in disclosures that are not useful. This is combined with liability settings that add costs and do not incentivise fulsome disclosures.

41. Government intervention was required to address the problem because the CRD settings are contained in the FMC Act and cannot be adjusted without legislative change.

Health and life insurers

42. When the changes to the regime agreed by the Government last year are implemented there will be approximately 76 CREs in the regime. Seventeen of these are insurers, nine being health and life insurers. As noted above, two of these insurers are likely to comply with the New Zealand reporting requirements by lodging their Australian climate statements.

43. To align with the original policy problem, this analysis considers whether the costs of health and life insurers remaining within the regime are disproportionate to the benefits of their continued participation, and whether their inclusion represents a mis targeting of the regime similar to that previously identified for other entity types.

44. Based on the analysis in the RIS, we consider health and life insurers should stay in the regime for two key reasons. First, the CRD regime remains at an early stage of implementation, and further scope changes at this point may limit the regime's ability to mature and meet its objectives. Second, there is insufficient evidence to demonstrate that the costs faced by health and life insurers are disproportionate when compared with the benefits of a robust and coherent CRD regime.

Alignment with regime objectives

45. At this early stage of implementation, it is difficult to form a definitive view on the benefits of New Zealand's CRD regime or its effectiveness in meeting its aims. The regime is intended to influence behaviour over time by embedding climate considerations into financial decisions. Removing participants such as health and life insurers before the regime has had sufficient time to mature may reduce its capacity to support the reallocation of capital and ensure climate risks are routinely considered in business decision making.

46. The CRD regime is intended to support the transition to a low emissions economy and to generate benefits for a range of users, including existing and potential investors, lenders and creditors, reporting entities themselves, regulators, and the wider market. Improved transparency is expected to support better informed investment and lending decisions, while a consistent and comparable disclosure base enables regulators and market participants to identify emerging systemic climate risks.

47. The FMA has advised that health and life insurers typically have limited direct investors. However, the CRD regime is designed to serve both existing and potential investors, as well as to improve internal risk management and support regulatory oversight. The obligation to report is therefore not limited to the presence of direct investors but reflects the broader role that large financial market participants play in contributing to market transparency and long term financial system resilience.

48. A range of individuals and organisations may benefit from increased transparency regarding how health and life insurers assess and manage climate related risks. This includes businesses, financial advisers, and organisations seeking partnerships or commercial relationships with insurers, who may rely on climate disclosures to inform their decisions. Removing health and life insurers from the regime would reduce the availability of this information for market participants seeking to understand how climate considerations are being incorporated into insurers' operations and strategies.

49. As the CRD regime matures and becomes embedded within the financial markets landscape, the disclosed information is expected to become increasingly understood and reflected in decision making. At this stage, more evidence is required before it is possible to assess the extent to which the regime is meeting its objectives. Making further scope changes now, including removing health and life insurers, risks undermining the regime's effectiveness before sufficient information is available to support a robust evaluation.

Costs

50. Information available on the costs incurred by health and life insurers to produce climate statements is not entirely consistent. Based on the evidence available, there is insufficient information to demonstrate that the costs faced by health and life insurers are disproportionate to the benefits of participating in a robust CRD regime.

Information from the FMA

51. Four of the nine health and life insurers have advised the FMA of their estimated costs to Commercial Information Commercial Information These figures were drawn from a combination of exemption applications, requests for extensions to reporting periods, and disclosures contained within climate statements.

Information from the FSC

52. The FSC has advised that the estimated annual compliance and operational cost for health and life insurers is $10 to $15 million per year across the sector. Commercial Information

53. The FSC has also provided MBIE with two examples of insurer-reported costs Commercial Information

54. The FSC has indicated that it considers these costs to represent ongoing operational expenditure that will not materially reduce over time.

Information from previous consultation

55. MBIE's consultation last year indicated that costs to produce climate statements for listed issuers and MIS managers ranged from $150,000 to $1 million Commercial Information Commercial Information

56. Although they did not respond to the consultation, Turners Automotive Group also indicated costs of approximately $1 million to comply with the regime, although a portion of this cost related to building new data systems to support future supply-chain emissions reporting, which is expected to reduce over time.

57. Commercial Information This cost might be expected for an insurer with a significant property portfolio as property insurers are directly exposed to physical climate risks. Preparing climate statements for such portfolios requires complex analysis including modelling the risks and impacts of hazard events on the insured properties.

58. While these represent the highest reported costs, most entities reported materially lower costs. Listed issuers that reported both direct and indirect costs indicated a typical range of $150,000 to $600,000. There were around eight issuers in this category.

Costs in this analysis

59. The differences in costs may be explained by the different purposes for which the information was collected. The FSC has suggested that discrepancies between FSC and FMA information may be due to the FSC requesting total reporting costs, while information provided to the FMA may reflect narrower cost definitions.

60. For the purpose of this analysis, MBIE has used a cost range with the highest FMA reported cost as the lower bound ($253,000) and $600,000 as the upper bound. The upper bound is informed by the higher end of costs reported by listed issuers that provided both direct and indirect cost information during the previous consultation.

Costs in original RIS

61. The Regulatory Impact Statement produced prior to the introduction of the CRD regime identified significant uncertainty regarding costs, and the costs they did report mainly related to MIS managers. As a result, anticipated costs were not included in the summary table of costs and benefits, limiting its usefulness as a comparator for actual costs now being incurred.

Evidence of disproportionate costs

62. Based on the information available, there is insufficient evidence to demonstrate that the costs incurred by health and life insurers are disproportionate to the benefits of climate related reporting. Given the early stage of implementation, benefits are expected to be realised over time as the regime becomes embedded in financial markets.

63. For MIS managers, there was a clearer basis for concluding that costs were disproportionate, particularly where entities were required to prepare multiple disclosure statements for numerous schemes and funds. This feature is not present for health and life insurers.

64. In the absence of clear evidence of disproportionate costs against anticipated benefits, and given the risk that further scope reductions may weaken the CRD regime's ability to meet its objectives, MBIE considers that health and life insurers should remain within the regime at least until it has matured sufficiently to allow a more robust assessment of its effectiveness and impacts.

What objectives are sought in relation to the policy problem?

65. As health and life insurers are being looked at within the context of the original policy problem, these proposals use the same objectives that guided the original RIS. This stated that:

    The main objective of the proposals is to ensure that the right entities are reporting so that the CRD regime encourages our transition to a low-emissions economy through investors and entities being well-informed about climate risks and opportunities but does not become a barrier to doing business in New Zealand.

    Secondary objectives are to ensure that:

    a. *the CRD regime does not disproportionately impact the competitiveness of New Zealand's capital markets*

    b. *directors and climate-reporting entities (CREs) have the right incentives to encourage robust, useful and trustworthy climate reporting in New Zealand.*

What consultation has been undertaken?

66. MBIE has consulted with the FMA and the XRB on the implications of the proposal, as discussed above. MBIE has also had discussions with the FSC about the regime and the costs of disclosure for health and life insurers. Information about health and life insurer experiences with the regime has been passed on via the FSC as industry representative. Time limitations constrained the ability to do a wider public consultation process.

67. MBIE has drawn on information from earlier, substantive consultation processes, including the 2024 public consultation on potential adjustments to the CRD regime, as well as relevant insights from the FSC's December 2025 select committee submission for this analysis.

68. The consultation process has resulted in limited evidence to support that health and life insurers are being unduly burdened by their climate related disclosure reporting obligations relative to the benefits of them remaining in the regime. If more consultation was undertaken it may be possible that evidence gathered would change this conclusion. Although based on the core argument presented, we think this is unlikely.

Section 2: Assessing options to address the policy problem

What criteria will be used to compare options to the status quo?

69. This analysis supplements the earlier analysis relating to listed issuers and MIS managers. Therefore, we have used similar criteria to assess the potential removal of health and life insurers from the regime.

70. The criteria that are used to compare the options to the status quo are:

    a. **Effectiveness**: whether options enable a more efficient allocation of capital, and help smooth the transition to a more sustainable, low-emissions economy, i.e., does the option contribute to the purpose of the CRD regime as described above.

    b. **Proportionate cost**: whether the cost of reporting is proportionate to the benefits of reporting.

    c. **Consistency**: whether the option is consistent with the treatment of other entities in the CRD regime.

What scope will options be considered within?

71. This analysis is being conducted as a supplement to the earlier RIS. The scope of options therefore reflects the scope of options considered in that earlier RIS, which was limited to options consulted on publicly and limited amendments made during the consultation process.

72. At a high level, the options previously considered were the counterfactual, amending reporting thresholds by various amounts, or removing certain classes of reporting entities from the CRD regime. As a result, additional options, such as expanding the FMA's exemption powers, have not been considered.

73. In October 2025, the Government considered two options. The first was to make targeted adjustments to the regime, including raising the listed issuer reporting threshold, removing MIS managers, and changing liability settings. The second was an in-principle decision to repeal the CRD regime entirely. Cabinet decided to adjust the regime rather than repeal it, meaning that repeal is now out of scope.

74. We have not been asked to undertake a first-principles review of why the regime applies to financial markets entities, nor to revisit the original policy rationale. Instead, our task is to assess whether the costs of reporting for health and life insurers are disproportionate to the benefits of reporting. Accordingly, consideration of removing entities other than health and life insurers from the regime is outside the scope of this work. We also do not have any evidence that the costs are disproportionate for any of the remaining classes of reporting entities that do not have adjustments pending.

What options are being considered?

Option One – Counterfactual

75. Under this option the health and life insurers would continue to report. We expect that some assistance would be given to the health and life insurers in the form of materiality guidance from the XRB and possibly discussions with the XRB and FMA about the primary users of the reports. The XRB has advised that materiality guidance could be produced to be ready for the cohort of insurers with 30 June balance dates due to report by 31 October 2026. No legislative change would be required.

76. The expected benefits to the regime of having all insurers reporting will continue. The costs of reporting will continue to be met by health and life insurers although, as has been reported by other classes of entities, these might be expected to reduce over time as the reporting becomes imbedded into the businesses' BAU and set up costs reduce.

77. Two of the nine health and life insurers are likely to file their parent company climate statements in New Zealand in reliance on a new FMA class exemption rather than continuing to prepare climate statements in accordance with New Zealand's standards. This means that costs arising from the New Zealand regime will end for these insurers.

Option Two – Raise the reporting threshold for health and life insurers

78. This option has been included for consistency with the previous analysis which considered raising the reporting thresholds for both listed issuers and MIS managers. Rather than removing health and life insurers entirely, the reporting threshold for these insurers would be raised.

79. Currently insurers report if they have $1 billion in assets and/or $250 million in revenue. This proposal would raise the revenue category to $1 billion for health and life insurers only, i.e., health and life insurers would report if they had $1 billion in assets and/or $1 billion in revenue. The threshold for the general insurers would remain unchanged.

80. If the revenue threshold for health and life insurers was raised to $1 billion, we estimate that this would reduce the number of health and life insurers reporting from nine to five. Legislative change would be required for this option and the four insurers removed from the regime would no longer have the burden of reporting.

81. This option would add complexity to the overall regime by having two different reporting thresholds for insurers. This would be inconsistent with other classes of reporting entities in the CRD regime as well as global CRD regimes.

Option Three – Remove health and life insurers

82. Under this option health and life insurers would be removed via legislative change to the FMC Act. No further reporting from this group would be required and their costs to produce climate statements would end. The intended benefits of reporting would not be realised. This further reduction to the number of climate reporting entities may compromise the overall effectiveness of the regime.

83. As some insurers offer multiple types of insurance, discussions with health and life insurers will be needed to discuss how the legislation is best amended to achieve their removal. We propose that insurers that entirely or predominantly offer health and life insurance should be removed.

How do the options compare to the status quo/counterfactual?

	Option One – Counterfactual	Option Two – Raise the reporting threshold for health and life insurers	Option Three – remove health and life insurers
Effectiveness	**0** Retaining all nine health and life insurers maintains coverage and avoids adding complexity or precedents that could weaken the regime, supporting its effectiveness and long-term integrity.	- The regime's effectiveness depends on broad participation. Excluding four health and life insurers would reduce coverage and marginally weaken its impact. It may also undermine the regime over time by increasing complexity and creating a precedent for excluding sub-classes of entities (or part thereof) through threshold changes.	- Excluding all nine health and life insurers would further reduce coverage, removing five additional entities compared with the narrower option and increasing the impact on the regime's effectiveness. However, in the context of the CRD regime as a whole, this represents a relatively modest further reduction when compared to option two. As with option two, it may still add complexity and reinforce a precedent for excluding sub-classes of entities through legislative change.
Proportionate cost	**0** While health and life insurers incur ongoing reporting costs (estimated at $261,500–$600,000 per entity per year), there is no evidence that these costs are disproportionate to the benefits of reporting. Continued participation supports the objectives of the CRD regime and ensures the benefits of disclosure are fully realised.	**0** Excluding four health and life insurers would reduce reporting costs for those entities but would also remove the associated benefits of their disclosures. In the absence of evidence that current costs are disproportionate to the benefits, these cost reductions do not clearly represent an improvement in overall cost–benefit proportionality and result in outcomes broadly similar to the status quo.	**0** Removing reporting requirements for all nine health and life insurers would eliminate their reporting costs but also forgo all benefits of their participation in the CRD regime. While cost savings are greater under this option, there is no evidence that current costs are disproportionate to benefits, and this option therefore represents a shift in distribution of costs and benefits rather than a clear proportionality improvement.

Consistency	**0** This option is consistent with the treatment of other entities under the CRD regime, as it applies reporting requirements uniformly across the insurance sector and does not create sub-classes of reporting entities. The CRD regime is not designed to apply only to entities with direct or material exposure to climate risk, but to support transparency and risk assessment across large financial markets participants. Retaining all health and life insurers therefore aligns with the regime's foundational design and past treatment of reporting entities.	- This option is inconsistent with previous treatment of reporting entities, as it would exclude a subset of health and life insurers, creating a carve-out within a sub-class of the broader insurance sector. Past threshold adjustments (for example for listed issuers) applied to entire classes rather than subsets. In addition, excluding entities on the basis that they have limited direct climate risk would depart from the CRD regime's design, which is not limited to entities with direct climate exposures.	- While this option removes all health and life insurers, it remains inconsistent with past practice as it excludes a sub-class within the wider insurance sector rather than the full class. Previous class-wide removals applied to an entire reporting class (MIS managers) and were supported by a distinct rationale. Exclusion based on limited direct climate risk would also be inconsistent with the CRD regime's system-wide focus and underlying design.
Overall assessment	**0**	-2	-2

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

84. We recommend Option One (counterfactual), under which health and life insurers remain within the CRD regime.

85. At this stage of implementation, there is insufficient evidence to demonstrate that the costs of reporting for health and life insurers are disproportionate to the benefits of their continued participation in the regime. While reporting costs are material, reducing those costs for a subset of entities does not, in itself, indicate a better policy outcome or higher net benefits, particularly where doing so would remove information from the regime and introduce additional risks to its overall effectiveness and coherence.

86. Health and life insurers, alongside general insurers, are a core part of New Zealand's financial markets. Their business models involve long-term risk pricing, capital allocation, and investment decisions, all of which are relevant to how climate-related risks and opportunities are assessed and managed within the financial system. Requiring these insurers to consider and disclose climate-related matters supports forward-looking risk management and contributes to the system-wide transparency that underpins the CRD regime's objectives.

87. Although the benefits of the regime are difficult to quantify at this early stage, the CRD framework is designed to operate over time by embedding climate considerations into financial decision-making and investment behaviour. Its effectiveness relies on maintaining a sufficiently broad and stable reporting base to generate consistent and comparable information across the financial sector. Removing health and life insurers (either partially or entirely) would reduce coverage and diminish the regime's informational value, particularly as other scope changes already agreed by Cabinet have yet to take effect and be evaluated.

88. Importantly, the CRD regime is not designed to apply only to entities with direct or material exposure to climate-related physical risks. Entities are included because of their role as large financial markets participants that influence capital flows and long-term financial outcomes. Adjusting scope on the basis that a particular sub-group has more limited direct climate exposure would therefore depart from the regime's foundational design and risk reframing its purpose in a way not previously applied to other reporting entities.

89. From a proportionality perspective, while health and life insurers incur ongoing compliance costs (estimated at approximately $261,500–$600,000 per entity per year), there is no clear evidence that these costs are disproportionate to the expected benefits of disclosure. Cost savings achieved by excluding entities represent a shift in the distribution of costs and benefits, rather than a clear improvement in overall cost–benefit outcomes, particularly once non-monetised impacts, such as reduced transparency and weaker system-level insights, are taken into account.

90. Option Two (raising reporting thresholds) and Option Three (removing health and life insurers) would also introduce consistency risks. Both options would create carve-outs for a sub-class of insurers, which is inconsistent with prior CRD design choices. Previous scope changes, such as the removal of managed investment scheme managers or the adjustment of listed issuer thresholds, applied to entire reporting classes and were supported by distinct, evidence-based rationales. Introducing sub-class exclusions risks setting a precedent that other groups may seek to rely on, increasing complexity and undermining the regime's durability over time.

91. By contrast, retaining health and life insurers within the regime preserves informational coverage, avoids creating sub-classes of reporting entities, and maintains alignment with the regime's original policy intent. It also preserves policy flexibility and allows the impacts of the significant in-train changes to the CRD regime, including liability adjustments and scope reductions for other entity classes, to be observed before further structural changes are considered.

92. Option One aligns with the CRD regime's objectives and delivers the highest net benefits under conditions of uncertainty, by avoiding premature and potentially irreversible scope changes in the absence of clear evidence that exclusion is warranted.

Is the Minister's preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?

93. The Minister's preferred option is to remove health and life insurers from the CRD regime. MBIE's preferred option is to keep the health and life insurers in the regime (no action). Set out below are the marginal costs and benefits of the preferred option in the Cabinet paper when compared to the status quo. As MBIE's preferred option is the status quo we have not included a further table of the marginal costs and benefits of this option.

What are the marginal costs and benefits of the preferred option in the Cabinet paper?

Affected groups *(identify)*	**Comment** *nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks.*	**Impact** *$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.*	**Evidence Certainty** *High, medium, or low, and explain reasoning in comment column.*
Additional costs of the preferred option compared to taking no action			
Health and life insurers	No additional costs Reduced information available to the entity itself.	Low – medium impact	Medium certainty
Regulators and government entities: FMA, XRB, MBIE, Reserve Bank	No additional direct costs. Reduced information availability to identify systemic risks in financial system.	Medium impact	Medium certainty
Others: existing and potential investors, lenders and other creditors, wider market. *For fiscal costs, both increased costs and loss of revenue could be relevant*	Reduced information available to the market about health and life insurers climate-related risks and opportunities.	Medium impact	Medium certainty
Crown	Could prompt requests for further exclusions risking	Medium impact	Medium certainty

	overall effectiveness of regime. Reduction in levy funding that funds some of the costs of the FMA of approximately $50,000. [redacted] Confidential advice to Government	No material impact	High certainty
Total monetised costs	None	N/A	Medium certainty
Non-monetised costs	Reduced information for the insurers, regulators, users of the information and market more generally. Risk of impact on overall effectiveness of regime.	Medium impact	Medium certainty
Additional benefits of the preferred option compared to taking no action			
Health and life insurers	Estimated cost saving of $261,500 - $600,000 per insurer. Insurers can direct resources to other activities.	Medium impact	Low certainty
Regulators and government entities: FMA, XRB, MBIE	Reduced regulatory role for the regulators and government entities in relation to health and life insurers	Low impact	High certainty
Others: existing and potential investors, lenders and other creditors, wider market.	No costs of production passed onto consumers.	Low – medium impact	Low – medium certainty
Crown	No impact	High certainty	High certainty
Total monetised benefits	Estimated cost savings of $261,500 - $600,000 per insurer	Medium impact	Low certainty
Non-monetised benefits	Health and life insurers can use resources on other activities.	Low impact	Low certainty

Section 3: Delivering an option

How will the proposal be implemented?

Implementation of Minister's preferred option (remove health and life insurers via amendment to the current Bill)

94. Confidential advice to Government t would be possible to amend the legislation via an amendment paper to the Financial Markets Conduct Amendment Bill at Committee of the Whole House stage. This Bill is currently before the House at second reading. Confidential advice to Government Confidential advice to Government

95. Excluding health and life insurers from the CRD regime via the Bill would require the following steps to be undertaken:

    a. Cabinet agreement to remove health and life insurers from the regime

    b. Parliamentary Counsel Office (PCO) to prepare an appropriate Amendment Paper

    c. Cabinet agreement to table the Amendment Paper.

    d. tabling the Amendment Paper at Committee of the whole House.

96. Confidential advice to Government

Confidential advice to Government

97. Confidential advice to Government

MBIE's preferred option (retain health and life insurers, supported by guidance)

98. Under MBIE's preferred option, no legislative change is required. Non-regulatory action that we expect to occur as part of the counterfactual is as follows:

    a. XRB preparing targeted guidance on materiality for insurers

    b. FMA incorporating the guidance into its supervisory engagements and continuing its thematic reviews of climate statements, with a focus on improving clarity, proportionality, and the decision-usefulness of insurer disclosures.

    c. Potential discussions between the XRB, FMA and industry about the primary users of the reports.

    d. MBIE, FMA, and XRB collectively monitoring insurer reporting behaviour under the regime, particularly as the impacts of the in-train legislative changes (including changes to MIS manager and listed issuer requirements and the liability settings) become clearer.

99. These changes can occur relatively promptly.

How will the proposal be monitored, evaluated, and reviewed?

100. Regardless of which option is taken, the FMA and XRB will continue their established roles as regulator and standard setter:

    a. FMA will continue to conduct annual monitoring and thematic reviews of climate statements, building on its reviews published in December 2024 and August 2025 (as referenced in the existing RIS).

    b. XRB will continue to review the suitability of the standards and adapt standards and guidance where warranted.

    c. MBIE, FMA, and XRB will maintain regular engagement on implementation issues, data availability, and emerging sector-level impacts.

101. A broader review of the CRD regime (including scope, entity coverage, and system-level outcomes) is recommended in three to five years, consistent with commitments made when the regime was first established.