

NORTH ISLAND WEATHER EVENTS

The Insurance Industry Response



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Foreword

Two years ago, two weather events within a fortnight of each other wreaked havoc on New Zealand.

The loss and devastation on families and communities was severe, but the response and recovery also showed New Zealand at its best.

The insurance sector has played a large role in that recovery to ensure families, communities, businesses and regions could get back up on their feet quickly.

This review has been undertaken by Te Kāhui Inihua o Aotearoa/The Insurance Council of New Zealand to ensure the general insurance sector assesses its performance over these two weather events that resulted in over 118,000 insurance claims.

With 91% of those claims settled in 12 months of these devastating events and 96% within 16 months, insurers made significant progress compared to previous responses in providing certainty for customers to get on with their lives. This is not to diminish the stress and trauma that customers have experienced. We acknowledge that many of those affected are still living with the impacts of these events. The industry is continually looking to improve its response and help customers recover as quickly as possible. This report goes into detail about how insurers responded, highlights what worked well and identifies issues to address in the future.

Those issues are already being addressed.

The insurance sector understands its role in the recovery process and has learnt from previous large-scale disasters that keeping customers at the heart of their planning and actions is critical. However, the scale and complexity of the North Island weather events highlights that it can take weeks and months to mobilise and deploy the workforce and resources required to respond to major natural disasters.

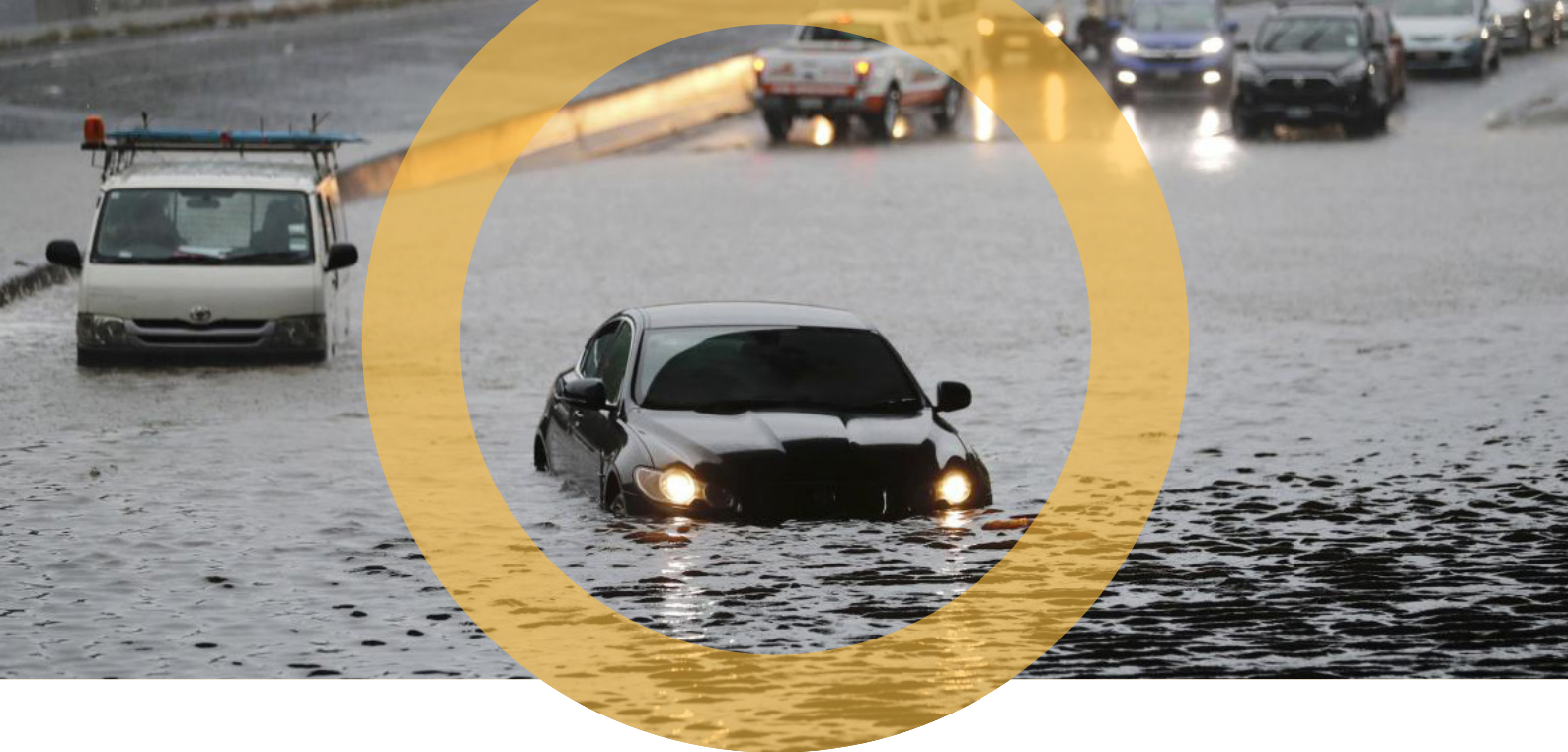
New Zealand insurers are also committed to supporting New Zealand in adapting to climate change and improving our resilience to all natural hazard risks. By prioritising and embedding resilience in decision-making processes, New Zealand can mitigate the adverse impacts of natural hazards and safeguard the wellbeing of its communities.

It is always the right thing to do to assess how the response performed during a significant natural disaster.

Many parts of the emergency management system have undertaken reviews following the Auckland Anniversary Floods and Cyclone Gabrielle to ensure the collective planning and preparation is continually improving.

This report is the insurance sector's contribution to this collective effort.

Kris Faafoi
Chief Executive



Executive Summary

The Auckland Anniversary Weekend floods and Cyclone Gabrielle in early 2023 were the most devastating severe weather events ever recorded in New Zealand.

Fifteen people were killed, thousands evacuated from their homes and entire communities isolated. The two events caused widespread damage over a large part of the North Island to homes, businesses, and critical infrastructure such as transport, telecommunications and electricity networks. The Treasury estimated the cost of these events to the New Zealand economy at between \$9 billion and \$14.5 billion.

The impacts for the insurance industry were also significant. The two events resulted in more than 118,000 private insurance claims with a total value of around \$3.8 billion. This included \$1.8 billion in house claims, \$267 million in contents claims, \$215 million in motor claims and \$1.5 billion in business claims.

The number of claims handled by insurance companies was nearly three times larger than that of the Kaikōura earthquake, New Zealand's second largest insured loss event prior to 2023. More than 1,000 additional new staff were brought in by insurers in response to the two events.

The lessons learnt from previous major events was a significant factor in the insurance industry's preparedness and response to the Auckland Anniversary Weekend flooding and Cyclone Gabrielle. These included establishing standalone teams dedicated to major events, increased training for staff and improved processes to communicate with customers. Insurers continued to adapt their approach as the recovery progressed to help advance and resolve customers' claims.

Despite the unprecedented scale and impact of the events, 91% of claims were resolved within 12 months and 96% within 16 months. This rate of progress far exceeded the pace of claim resolution experienced in the Canterbury and Kaikōura earthquakes, as well as the weather events in the Nelson Tasman District and Marlborough Sounds in August 2022.



Summary of issues, recommendations and actions

Issues and challenges	Recommendations	What insurers are already doing
<p>Managing event claims: Insurers experienced an extreme spike in claim volumes, putting pressure on their large-scale event management plans</p>	<p>Improving claims process: Insurers review their event management plans following the North Island weather events</p>	<p>Refining event plans: Insurers have revised their major event plans to ensure more streamlined and efficient responses to large-scale disasters, including clearly identified roles, responsibilities, and resource scaling</p> <p>Further enhanced communications: Insurers have introduced tools to improve customer access to the status of their claims and improved their regular communication to keep customers informed and supported</p> <p>Simplified claims process: Insurers continue to work on streamlining the claims process to make it easier for customers and improve the timely resolution of claims</p> <p>Improving vulnerability support: Insurers are strengthening their oversight and reporting systems to better identify and assist vulnerable customers</p> <p>Investing further in digitisation: Investments in digital tools are speeding up the claims process, resulting in faster settlements</p> <p>Better informing customers: Insurers have focused on educating customers about the scope of their coverage. with the Natural Hazards Commission Toka Tū Ake (NHC) also undertaking campaigns to encourage New Zealanders to get to know their natural hazards insurance cover and its limits.</p>

Issues and challenges	Recommendations	What insurers are already doing
Limited information sharing: There were coordination challenges between various parties involved in the recovery, hindering the flow of critical information	Better data sharing: The industry has advocated for enhanced data sharing (while addressing privacy concerns) to reduce decision-making challenges in the immediate aftermath of an event	Improving stakeholder relations: Building closer working relationships with emergency management agencies and local authorities
Access to properties: Access to severely affected areas was restricted, slowing down claims assessments and repairs	Timely and consistent property access: Introduce a process with councils to allow insurers and their suppliers to assess properties that have been red or yellow-stickered, speeding up the recovery process	Formalising recovery coordination: Insurers are planning for future natural disaster recovery by having agreed plans in place before events occur
Land categorisation issues: Auckland City Council's land categorisation process has created delays and uncertainty for claimants	Land categorisation pre-planning: Standardising and pre-planning the land categorisation process, involving insurers in land use decision-making, and facilitating data sharing post-event would improve claim resolution timeframes	
Land claims: The process requirements of managing EQCover land claims combined with limited capacity of technical resources extended claims timeframes	Improve processes: Review processes to facilitate transparent and efficient decisions and speed up claims assessments	Identifying "quick wins" with NHC: Working closely with NHC to identify alternate processes for assessing land claims, where possible, while still meeting the requirements of the Earthquake Commission Act
Labour shortages: A lack of skilled labour impacted the speed at which repairs and claim resolutions could be completed	Skilled workforce: Government implementation of a fast-track immigration process for specialist skills required in response to a major disaster Specialist resource pooling: Pooling specialist resources would enable a more coordinated and effective nationwide response during large scale events	Improving supplier capacity: Insurers are planning for future events by scaling up suppliers to help manage high claim volume when needed

The insurance sector strongly supports the creation of a cross-sector recovery framework that ensures clearer communication, better resource management, and more effective coordination between insurers, government agencies, and other stakeholders. Such a framework would enhance the speed and efficiency of future recovery efforts, giving insurers the ability to scale up and help respond more effectively to large-scale natural disasters.

The insurance sector has consistently highlighted the impact of climate change on New Zealand and the need for collective action to reduce risk to

life, communities and property. The North Island weather events are a reminder of the impact these natural disasters have on New Zealanders, as well as the social, environmental and economic disruption it brings.

The industry has signalled it will support communities even as risks evolve with climate change, but New Zealand as a whole needs to take action to manage and reduce risk. ICNZ is engaging with central government, councils and other groups to support climate adaptation and ensure New Zealand is best prepared to face a changing climate.

SCALE AND IMPACT

Auckland Anniversary Weekend floods: 27 January – 2 February 2023

- 6 months' rainfall in one day
- 4 lives lost
- 600 people in emergency accommodation
- 10,000 properties flooded
- 3,000 red and yellow stickered properties
- 2,000 slips on city's transport and water networks



Combined:

1,403 category 3 properties
deemed to have "intolerable
risk to life" being purchased
by councils

Cyclone Gabrielle 12 February – 14 February 2023

- 25% annual rainfall – 546 mm at max intensity of 56 mm/hour
- 11 lives lost
- 9,000 people evacuated on first night, 1,600 needed ongoing emergency accommodation
- 5.6 kms of stopbank breaches
- 300,000 landslides along the East Coast



INSURANCE RESPONSE



118,037 general
insurance claims
lodged



91% of claims
settled within
12 months



0.05% of claims
resulted in a
complaint accepted
by external resolution
schemes

Context

The Auckland Anniversary Weekend flooding and Cyclone Gabrielle events are separately the two largest insurance-related weather events in New Zealand's history, at \$2 billion and \$1.8 billion respectively.

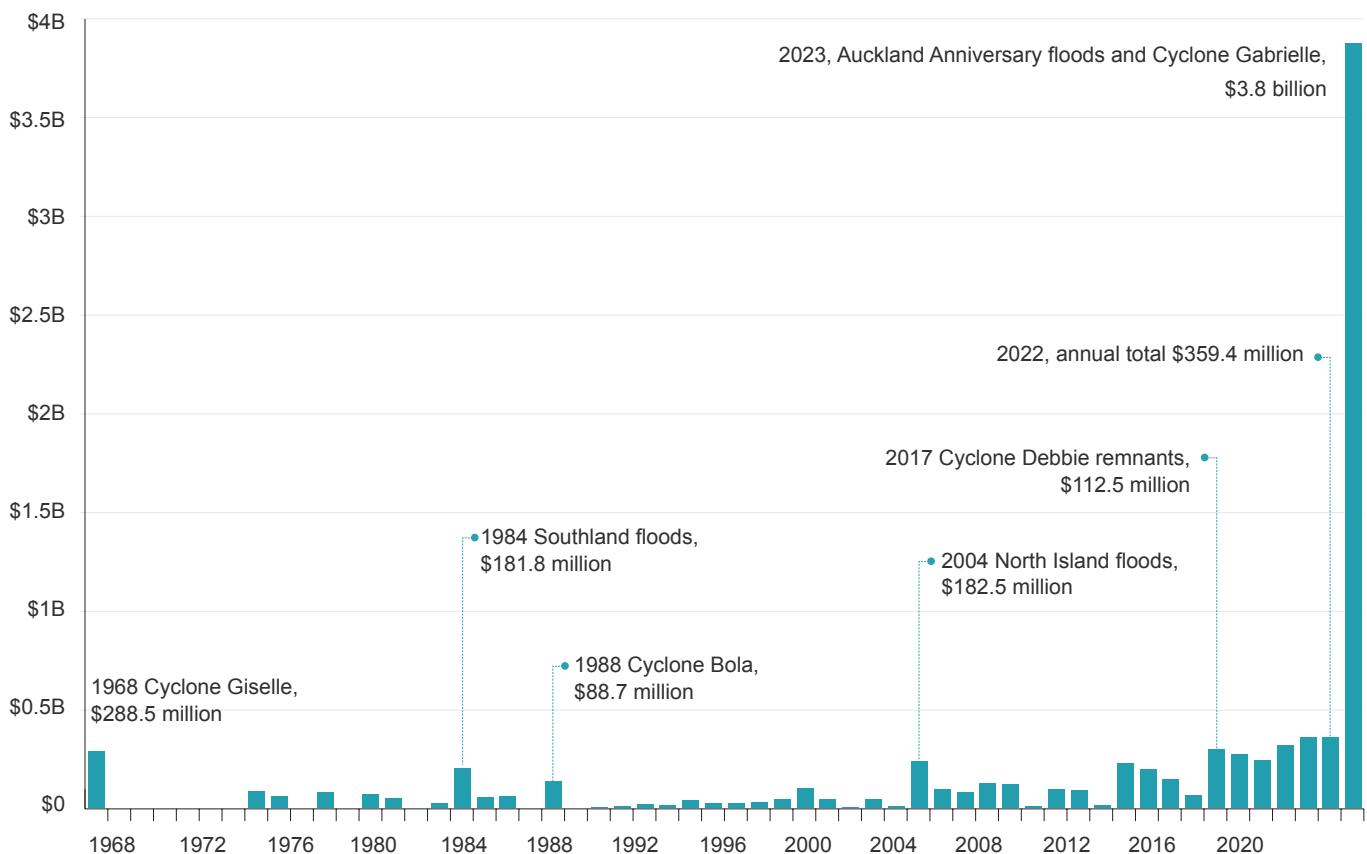
As the below graph illustrates, the two events combined in 2023 were significantly larger, both in terms of the number of claims and total insurance losses, than those in previous years. To put it another way, the North Island weather events were ten times larger in terms of insurance losses than the previous record-setting year in 2022 and greater than every year since 2000 combined.

The data on insurance losses since 2010 shows a trend consistent with climate change of more frequent and severe weather events. From 2017 to 2023, New Zealand has seen new record highs for weather-related insurance losses in five of the

last seven years. The recent history of increasing insured losses also shows that more and more New Zealanders are exposed to these events. Over the last 20 years New Zealand is estimated to have spent more than 4% of GDP per year recovering from natural disasters.



Cost of weather events in Aotearoa 1968-2022, adjusted for inflation*



*Source: ICNZ



The insurance industry response

Events on the scale of the North Island weather events create many challenges for insurers, who were confronted with an unprecedented volume of claims over a two-to-three-week period. The sharp increase in claims volumes saw insurers' annual home claims numbers rise by 50% compared with the previous year. In one case, the insurer's major home claims team was hit with the equivalent of five years' worth of home claims in less than a month. This was on top of business as usual claims lodged.

Many claims were highly complex due to factors such as land issues and the categorisation system¹, which required time and significant resource to assess, scope, price, and settle. In particular, the events resulted in the highest ever volume of EQCover land claims, totalling over 9,000. Land claims are managed by insurers on behalf of Natural Hazards

Commission Toka Tū Ake (NHC)². Land claims are challenging and involve legislated processes that require insurers to access specialist expertise (such as geotechnical engineers and registered valuers) to assess and settle claims on behalf of NHC.

Nevertheless, insurers made significant progress in settling 96% of claims (over 112,000 claims) as of 1 June 2024. By insurance type, home claims stood at 96% fully settled and contents and motor claims at 99% and 98% respectively.

Major disasters are also stressful and traumatic for customers who are seeking certainty to move on with their lives. As a comparison, it took four years to fully settle more than 50% of claims after the first Canterbury earthquake, and nine months after the Kaikōura earthquake.

¹ See [Appendix 1](#)

² The NHC was formerly known as the Earthquake Commission Toka Tū Ake (EQC). This report will use NHC for activities undertaken by the EQC except when referring to the EQC Act and EQCover for pre-1 July 2024 claims.



North Island weather events 2023 – Approx 16 months later

- 96% of domestic building claims settled (112,746 out of 118,037)

Canterbury earthquake sequence - 4 September 2010, 22 February 2011

- **Approximately 15 months later (July 2012)** 8.5% of 'overcap'³ domestic building claims settled (1,904 claims of 22,339)
- **Three years later (March 2014)** 44% of domestic property (overcap home) claims settled (9,778 of 22,455)

Kaikōura earthquake 16 November 2016

- **11 months later (31 October 2017)**, 65% of residential building claims settled (20,777 out of 32,008)



³ An overcap is the amount your insurer will cover for natural disaster damage beyond the maximum payment NHC will make. The NHC cap is \$300,000 + GST.

Lessons from previous natural disasters

The scale of the Canterbury and Kaikōura earthquake events provided many valuable lessons for insurers. After these events, insurers established plans, systems and processes to increase their ability to mobilise people and other resources quickly, undertake rapid assessments and settlements, and communicate with customers.

Some insurers implemented a cash settlement approach for major events. Historically, many insurers managed repairs using their own network of suppliers but the large volume of claims from the Canterbury earthquakes often meant lengthy repair times. Cash settlements gave customers the option to manage the repair process themselves, including choosing their preferred repairer, making improvements and setting timeframes for repairs, or purchase a new home instead.

Insurers also changed their approach to better equip themselves to scale up during a significant event. This included establishing dedicated teams or business units to manage these claims as well as adding people with skills in areas such as project management and technical building

claims knowledge to their business-as-usual operations which could be readily deployed to respond to a major disaster.

With multiple internal staff and external partners involved in the claims process, some insurers developed tools for assessors and suppliers to assess and price the damage. These tools ensure consistency and efficiency across the organisation. This approach was used during the Kaikōura event onwards.

Insurers also improved the claim triage process, allowing teams to better identify and prioritise customers with the most urgent needs. This included developing structured rapid assessment processes that fed into triaging claims. In some cases, suppliers and partners were also given authority to make decisions about claims to facilitate faster settlements.



The industry response in more detail

The discussion below sets out the industry's response to the events in more detail in relation to their workforce, claims, customer communications, management of customers experiencing vulnerability and complaints processes.

Scaling up the workforce

As the scale of the Auckland flooding from 27 January became apparent, insurers activated their surge capability plans to manage claims. Cyclone Gabrielle then followed on 12 February with a further influx of claims coming in from Auckland, Northland, Waikato, Hawke's Bay and Bay of Plenty. Claims from both events continued to be lodged with insurers in the weeks and months after. One insurer noted that the volume of claims lodged was 65% higher than normal levels for 10 weeks in a row.

While insurers have plans in place to mobilise for large-scale events, it takes time to train and deploy staff and resources to respond to the spike in claims volumes from customers. The damage and

disruption caused by the two events was spread over 1,000km of the North Island and required insurers to not only rapidly increase their workforce capacity but manage their resources across affected regions.

It's estimated that more than 1,000 new staff were brought on across the sector to deal with the response to the North Island weather events. By June 2023, most insurers had fully scaled up their workforce to manage the volume of claims through established frameworks and partnerships. In some cases, the number of claims staff increased by up to 25% during the initial six months.

“We have (post event) established standing teams in NZ that support all major event claims and have retained teams in Australia to provide a bench that we can surge from.”

ICNZ member

Insurers scaled up their teams in a number of ways to manage the volume of claims:

- **Internal teams** – Insurers activated permanent ‘Major Event Response’ teams of staff who transitioned to roles in claim enquiries and lodgement to support the surge of claims. Business as usual staff were redirected to manage claims lodgement, support event claims and set up claims hubs
- **All Hands On Deck** - Insurers redeployed and gave fast-track training to non-claims staff to answer claims lodgement calls, reducing wait times for customers and allowing for staff to call customers when further information was required to complete lodgement
- **External resource** – Insurers hired additional staff within New Zealand, with fast-track training for less complex claims. Insurers also worked with external building partners to support rapid house assessments and make houses safe for habitation
- **Offshore resources** - Insurers worked with offshore third-party assessor partners to bring in trained offshore resource.

Improving and streamlining claims management

As the response progressed into the recovery phase and the initial surge in claims started easing, insurers adapted their approach and implemented new initiatives to speed up the processing and resolution of claims. These included opening new in-person satellite offices and community hubs in affected areas, rolling out new fast-track claims authorities for brokers, new and enhanced technology within claims processes to enable more efficient claims handling, and face-to face customer and broker visits with specialist claims handlers available to progress customer claims.

Insurers also prioritised claims based on the most severely impacted and/or vulnerable customers, which did have an impact on the resolution of less urgent weather related and business as usual insurance claims.

Many claims had a portion of EQCover managed under the Natural Disaster Response Model (NDRM)⁴. These weather events saw the largest number of claims under the NDRM to date, with a large number of those claims related to land damage. The industry has identified that processes related to NHC claims is an area for improvement and is working on this with NHC.

Other measures insurers introduced to better manage and streamline the claims settlement process included:

- Increasing delegated authority for suppliers to enable quicker approvals and actions, with checks by insurers before final sign-off
- Establishing new major event roles to strengthen senior leadership of the disaster response and the response structure
- Not cash settling home claims on a finalised basis, creating security for customers if additional costs, covered by their policy and related to the event, arose later
- Providing cash settlements for contents claims beyond policy limits
- Expediting the total loss (write-off) claims process by accepting photos of flooded vehicles, rather than waiting for assessor site confirmations
- Calling customers with red or yellow stickered homes to check their accommodation status and arrange immediate payments if needed.

⁴ The National Disaster Response Model (NDRM) is a partnership between nine private insurers and the NHC. It provides a single point of contact (the private insurer) for lodging and managing EQCover claims and claims related to the cover provided by their insurer. Under the model, private insurers act as NHC’s agent to assess and settle EQCover claims.

Improving processes for customers experiencing significant vulnerabilities

Insurers changed their processes and approaches to better identify, prioritise, and support customers with significant vulnerabilities.

This included strengthening processes to identify customers experiencing vulnerabilities, updating claims systems to better capture and integrate information about vulnerable customers, improving training and customer support templates and providing targeted online information.

Insurers already had dedicated claims handlers in place to support the efficient triaging of customers experiencing vulnerability and ensuring handlers with the right skillset were assigned to the most vulnerable customers.

The triaging process included direct contact with vulnerable customers who had red and yellow stickered homes.

In some cases, insurers worked to proactively identify customers experiencing vulnerability based on location through door knocking and attending community hubs even though these customers had not yet lodged a claim.

Keeping customers informed

Insurers used a variety of methods to communicate with customers including through websites, face to-face meetings, text messages, newsletters, and FAQs as well as being available at Civil Defence centres during the early days of the response and recovery. Some insurers proactively called customers who were affected by the land categorisation process.

Insurers also attended community meetings and information hubs. In some cases, insurers established community hubs at key locations in Auckland and parts of Hawke's Bay to provide an ongoing presence and support customers. Apart from assisting customers with their insurance,

insurers also used their existing branch networks around affected regions to assist customers with the distribution of emergency supplies.

Responding to customer complaints

The size and scale of the weather events did have an impact on insurers' ability to respond to the surge in claims volumes and the time taken to resolve claims. While the Insurance & Financial (IFSO) noted insurers have taken less time to process claims from the North Island weather events than they did after the Christchurch earthquakes, the industry acknowledges that it can be frustrating and stressful for customers waiting to have their claims settled.

As the recovery progressed, insurers modified their practices to help resolve complaints and improve the process. This included appointing dedicated customer resolution management and specialist technical resolution management roles. Resources and templates were also developed to better collect information around complaints to ensure it was accurate and improve the ability of staff to identify emails from dissatisfied customers to help prioritise responses. These changes helped insurers communicate more effectively with customers while dealing with the large volume of claims that resulted from the events.

While most complaints are resolved between the customer and their insurer, external dispute resolution services will investigate a complaint if it is not addressed to the customer's satisfaction. ICNZ's Fair Insurance Code sets out the high standard of service that members must provide to their customers, including information on claims and complaints procedures. These obligations are in addition to those imposed by the law.

Of the 118,037 claims related to the North Island weather events, 509 enquiries into complaints were made to the external dispute resolution schemes IFSO and FSCL⁵, of which 62 were accepted. This represented 0.05% of the total claims made.

⁵ IFSO is the Insurance & Financial Services Ombudsman Scheme and FSCL is the Financial Services Complaints Ltd (FSCL) – A Financial Ombudsman Service.

2023 North Island weather events complaints by category

	Total claims	Enquiry	Complaint accepted	Complaints accepted by IFOS/FSCL (% of total claims)
House & contents	82,364	434	46	0.06%
Business	18,590	21	9	0.05%
Motor	15,737	52	6	0.04%
Marine	296	1	0	0.00%
Crop	69	0	0	0.00%
Other	981	1	1	0.00%
Total	118,037	509	62	0.05%

Complaint accepted = a complaint was accepted and investigated by IFOS/FSCL.



ICNZ's role

ICNZ played a critical role in working with members during the response and recovery to provide insurance updates to the government and councils. ICNZ also acted as a conduit between its members and central government (e.g. the Cyclone Recovery Unit), local authorities, and emergency management agencies to facilitate the recovery process. This included:

- Bringing insurers together regularly to share information and identify issues to resolve with government agencies and local authorities
- Providing data to councils to assist in the land categorisation process
- Organising and coordinating a physical space in Hawke's Bay during the early response to act as an insurance hub for customers while insurers set up their own spaces
- Providing regular insurance sector situation reports to government and councils covering key information on the insurers' response and identifying issues hampering the recovery
- Working with members to outline clear processes for final insurance settlements throughout the land categorisation and buyout processes, supporting councils to proceed with purchasing Category 3 properties
- Setting up a Disaster Recovery webpage with insurance advice and to help explain the categorisation system impact on affected New Zealanders' claims and ongoing insurance
- Supporting flood related community and consumer engagement events and engaging with community groups to provide information on flood and insurance and to assist in supporting their community's recovery.



Issues and challenges

Large-scale natural disasters are complex and challenging, particularly in the early stages. The widespread damage and disruption caused by these events on people, properties, communities and infrastructure place considerable pressures on emergency management, local authorities, government, and private sector organisations such as insurers.

In addition, as every event presents unique circumstances, often the processes in place to deal with it need to be flexible enough to respond to change, or new processes developed quickly.

The NHC⁶ review released in 2024 has already highlighted opportunities for insurers to collaborate with councils, which play a critical role in facilitating insurance claims management during a natural disaster, on a more consistent basis. Likewise, the

Government Inquiry into the Response to the North Island Weather Events⁷ identified opportunities to build capability, capacity and consistency throughout all parts of the emergency management system.

Additional key issues and challenges identified by the industry are set out in more detail below, including:

- Lack of information sharing
- Lack of access to the worst affected properties
- Issues associated with the land categorisation process
- Labour availability
- Issues associated with the EQC Act and NDRM.

⁶ Review of the Natural Disaster Response Model to the North Island Weather Events 2023 – Final report – October 2024
<https://www.naturalhazards.govt.nz/assets/Publications-Resources/Review-of-NDRM-response-to-NIWE-Final-Report-Oct-24R.pdf>

⁷ Final report of the Government Inquiry into the Response to the North Island Severe Weather Events – released April 2024
<https://www.dia.govt.nz/Government-Inquiry-into-the-Response-to-the-North-Island-severe-Weather-Events>

Lack of information sharing

When data and information were shared with insurers, regions had differing approaches to what could be shared and how to share it. In Hawke's Bay and Tairāwhiti, insurers had access to GIS shapefile data that allowed for the efficient integration of that data into insurers' systems to see the impact on their customers. For others, data was shared via spreadsheets, which tended to be more laborious and time-consuming for insurers to process. This slowed insurers' ability to respond to their customers and created uncertainty leading to unnecessary delays.

Existing rules also hampered the response. Critical information about the flooding was not shared due to the Civil Defence National Emergencies (Information Sharing) Code 2020, which does not allow information sharing under a declared state of local emergency, only for a national emergency.

A critical factor for insurers is getting timely information about what is happening on the ground during an event and property damage data from emergency management agencies and local authorities. However, a lack of information sharing with insurers in some regions hampered efforts to respond immediately to the customers experiencing the most vulnerability.

Auckland City Council, which had the largest number of claims, was not able to share red and yellow stickered property damage information with ICNZ and its members on Privacy Act related grounds as well as limitations of their IT systems. This privacy issue was eventually resolved though it did slow insurers' response to handling claims. This issue did not arise with other councils. Auckland City Council's IT issues also affected the ability of insurers to help process claims quickly for property owners.

Access to properties and worst affected areas

Insurers had difficulty in getting access to some of the worst-impacted properties due to damaged roads, silt, debris and red or yellow stickered placards.

Councils stickered many properties after being flooded, which prohibited or restricted access to homes. In most cases (other than landslip) the risk was significantly reduced once the water had receded. Insurers continued to face delays in getting access to these properties as they required council approval to have the stickers reviewed and removed, which could be difficult and time-consuming.

The process of granting access to stickered properties varied among councils. This forced insurers to create different processes for staff in different locations to enable access to assess their customers' properties

"... access to impacted areas need a coordinated industry approach. Insurance personnel aren't always recognised as critical when it comes to priority access. This needs to be considered as critical to response and recovery in future events." ICNZ member

Land categorisation

The land categorisation process was established by government to assess the risk to life to severe weather events and determine how to manage that risk. This process was separate from insurance, though it was informed by the claims data that insurers shared with the Government's Cyclone Recovery Taskforce via a third party.

Councils managed the categorisation process and the buyouts for properties in high-risk Category 3 areas. The net cost of the buyouts were 50 percent funded by government.

Category 3 status by local government authority as of December 2024.

Local authority	Category 3 Properties
Auckland City Council	1,005
Hastings District Council	304
Gisborne District Council	69
Napier City Council	22
Tauranga District Council	3
TOTAL	1,403

Some councils categorised properties quickly and moved through to buyout affected property owners. However, the complexity in Auckland's urban environment⁸ led to a longer land categorisation process, creating confusion and uncertainty for some homeowners and further delaying the resolution of claims⁹.

Delays to the categorisation process also resulted in cases where insurers or customers started or completed repairing homes which were then purchased by the council. This meant some homeowners were put through the process of repairing a home they were later forced to abandon. This took a toll on homeowners and resulted in insurers spending time and money on repairs that were not required.

The government and councils also incurred extra expenses. The government's buyout offer was expected to be net of an insurance settlement to affected customers. In these cases, however, because the insurance settlement had been spent in good faith there was no offset to the cost from the insurance payout for the government and councils.

Labour availability

The relatively small size of the New Zealand economy means insurers are likely to need additional and significant staffing from overseas to respond to a major natural disaster. Immigration New Zealand fast-tracked temporary working visas for workers, though there were complications in extending visas for those on shorter time limits, such as workers from the UK who were on six-month visas.

Some insurers also experienced challenges accessing external loss adjustors.

The EQC Act and the NDRM

Overall, the NDRM performed well during the North Island weather events. A review by NHC found homeowners had a better experience compared with the Canterbury earthquakes events and that the vast majority of EQCover claims were settled within agreed timeframes. This reflected improvements made by NHC since the Canterbury earthquakes including providing shortened training and direct support to claims consultants, more information to the public about land claims and associated challenges, and using feedback to improve the customer claims processes.

"EQC were happy to front into community events to explain coverage which was very helpful and enabled [our] staff to focus on claims,"

ICNZ Member

⁸ In Auckland the terrain and built environment means the categorisation approach has been conducted at a property level rather than area wide basis such as in Hawke's Bay.

⁹ The "opt-in" nature of the categorisation system and disputes over which category a property should fall under has further delayed the categorisation process in Auckland, which remains ongoing as of the date of this report. Some homeowners were unwilling to settle their insurance claim until they understood their Category and buyout purchase offer. In some cases this resulted in claims remaining open for many months.

However, insurers and the NHC review have identified a number of factors that extended claims timeframes under the EQCover claims process.

One of these was lack of access to technical expertise required under the Act to carry out land claim assessments and valuations, delaying processes and creating bottlenecks. The requirement for on-site assessments by specialists such as geotechnical engineers and registered valuers meant that, when these resources were limited, claims progress slowed until resources became available. It should be noted that since the NDRM has been in place, nearly 80% of NHC claims have been for land, more than ever before, which has had an impact on specialist resource capacity.

Insurers also found that customers had limited understanding of land claim coverage, especially regarding shortfalls between EQCover land caps and the cost to reinstate land damage. This led to sometimes lengthy disputes around settlements that were managed by insurers as agents of NHC.

“Customers were often under the misapprehension they had full land cover vs the actual contribution model under the Act. More public education is required.” ICNZ member

The NHC review also identified that the lack of a joint event response strategy contributed to inadequate coordination as well as confusion around roles and responsibilities. Likewise, there was unclear ownership of complaints during the response, making it difficult to facilitate a speedy resolution.

“For EQC claims it was clear that qualified assessing resource was stretched, engineering resource was also in the same position following earlier weather events. The linear nature and complexity of EQC claims meant that these claims take longer.” ICNZ member

“Insurers felt there was resistance to complaint management being transferred to EQC when complaints were about the Act. It was initially handled by private insurers but many need EQC input due to their specialist knowledge of the Act. Where complaints are focused on how the Act is applied, insurers feel that EQC should take ownership to avoid double handling.”

NHC review of the NDRM response to
North Island weather events

Insurers found that the provisions of the Act constrained their ability to apply practices known to improve customer satisfaction. While this difference in approach is an accepted feature of the relationship between NHC and the private sector, insurers see an opportunity to improve customer outcomes while still adhering to the Act.

Additionally, the provisions of the Act cover silt and its removal. The North Island weather events did raise issues around the roles, responsibilities and management of silt damage which is currently under review.



Actions and recommendations

This section sets out insurers' views on what more could be done to apply lessons from the North Island weather events to enhance New Zealand's recovery from future disasters.

Actions by insurers

For insurers, the challenges faced over the longer-term recovery from the North Island weather events combined with customer feedback have provided valuable lessons that are now being applied to further improve responses to future major events.

These include:

- Refining their large-scale event plans with clear guidelines for large event responses, including roles and responsibilities, scaling up of resources, communications, governance and other critical actions for managing events
 - Investing further in the digitisation of the claims process to speed up settlements
 - Improving reporting for customers experiencing vulnerability and increased oversight of vulnerable customer claims
 - Educating customers around the scope of their cover, including claims that fall under the NHC.
-
- Enabling customers to keep better track of their claim and next steps in the process
 - Proactively communicating with customers regularly to ensure they are informed and listened to throughout the claims process
 - Streamlining and simplifying the claims process for customers.
 - Updating training and resources for staff to ensure claims are handled efficiently and effectively during major events.

“We had five areas that we have put a level of focus on for educating clients before the next event which we have called ‘know it before you need it’, excesses, understanding your cover....” ICNZ Member

“Overall, the feedback has been crucial in helping us refine our processes and enhance our communication strategies to better support our customers in the future.” ICNZ member

Recovery is an integral part of the framework that informs New Zealand's response to disasters, under the "4Rs": Risk Reduction, Readiness, Response, and Recovery framework.



Risk Reduction

Identifying and analysing risks to life and property, taking steps to eliminate risks if practicable, or reduce impact to an acceptable level.



Readiness

Agencies, organisations, communities, and individuals developing operational systems and capabilities before an emergency, including planning, exercising, and testing, monitoring and evaluating capability and capacity, public education, community engagement.



Response

Actions taken immediately before, during, or directly after an emergency to save lives and property and to help communities begin to recover.



Recovery

Coordinated efforts and processes used to bring about the immediate, medium-term, and long-term holistic regeneration and enhancement of a community

The insurance sector recommends and supports a clear, cross-sectoral and comprehensive framework for recovery in New Zealand from future events. Given the insurance industry's critical role in helping New Zealanders get back on their feet after a disaster, insurers should be well-integrated into the country's approach.

This will allow for more certainty and consistency in responding and recovering from a major event when it comes to information sharing, access to affected areas, labour availability and coordinating with government agencies. Insurers would also get the opportunity to be better prepared to scale up to meet demand and improve recovery outcomes.

Lack of information sharing

A coordinated approach on information sharing between insurers and emergency management agencies and councils would have allowed insurers to plan and deploy staff and other resources to the worst affected areas quicker to assess damage.

The streamlining and standardising of data and information sharing would allow insurers to better allocate staff and resources to where they are most needed and triage claims for customers.

Recommendations include:

- Reforming legislation to allow for better and more efficient sharing of information, while addressing privacy concerns, to reduce the need for decision-making in the chaotic post-event environment
- All councils in New Zealand adopting a centrally developed property damage information collection system (common system) with the prime objective of being able to share this information with recovery organisations such as insurers, National Emergency Management Agency (NEMA), the Ministry of Business Innovation and Employment (MBIE) and others. This new system would be developed to be consistent with privacy protection requirements
- Adopting data-focused solutions to share information, such as geospatial/GIS data that allows for the efficient sharing of large quantities of data and the ability for insurers to access the data without dedicating time and resource to sorting and searching spreadsheets.

Access to the worst affected properties

Insurers cannot assess homes that are inaccessible. To respond effectively to another major disaster, it is important that there are processes in place to allow insurers access to red or yellow stickered properties to assess them as quickly as possible.

We recommend that all councils in New Zealand adopt streamlined and consistent approaches to allowing access to red or yellow stickered properties when it is reasonably safe to do so (such as when stickers are in place for flooding and the flood water has receded).

Land categorisation

The land categorisation processes were developed in response to the North Island weather events. The delays by councils in confirming land categorisations meant some insurance customers wanted to delay managed repairs and cash settlements until they had certainty.

There may also be ongoing disputes over final land categorisations leading to further delays and customer dissatisfaction. At the time of this report, insurers are communicating with customers to provide clear information on land categorisations and the potential impact of delays (such as exhausting their temporary accommodation benefit and the ability to pause construction contracts) to allow customers to make informed decisions.

We recommend pre-planning land use changes following natural disasters and standardising processes for land categorisation, identifying areas for possible planned relocation, and involving insurers in the process and allowing for sharing of data post-event.

Labour availability

Insurers acknowledge that a major disaster is likely to require additional skilled staff and expertise from overseas to meet the surge in claims.

We recommend the following:

- Planning to scale up critical skilled workers (e.g. land valuers, assessors and geotechs) during large scale events to improve the processing of NHC claims
- Central government support to fast-track the import of specialist skills and workforce capacity from offshore
- Pooling of specialist resources to support a coordinated nationwide response.

NHC and the NDRM

The NDRM continues to evolve as insurers and NHC work together to implement recommendations from the NHC review of the North Island weather events. This includes improving homeowner understanding of cover, understanding homeowner needs, making claims processes more efficient, identifying new approaches for complex events, and clarifying roles and responsibilities within the NDRM.

“The NDRM could be further improved by a robust plan of work that will ensure readiness for a large event... Roles and responsibilities, clarity of NHC cover are examples of what is currently missing for a large event. The New Zealand Public will expect good robust plans in place that have had some form of regular test or assessment,” ICNZ member



Additional steps

1. Closer relationships with emergency management agencies

The insurance industry's front-line role in the response and recovery is not the only contribution the sector made during the North Island weather events. The deep knowledge insurers have of modelling and pricing natural hazard risk, together with their relationships with customers, means the industry can play a crucial and critical role in preparing for the prospect of more frequent and severe climate-related events.

During the North Island weather events, a sub-group of ICNZ's Board worked with the NHC and the Government's Cyclone Taskforce to coordinate recovery efforts across multiple entities. This group proceeded to work with the Cyclone Taskforce and the Treasury to develop a framework to protect and grow the wellbeing of New Zealanders through the timely and certain long-term reduction in natural hazard risk ([see Appendix 2](#)).

ICNZ is also developing relationships with NEMA, local Civil Defence groups, and councils to better integrate the insurance sector into the response and recovery from natural disaster. The insurance industry supports putting arrangements in place to agree how the industry and recovery authorities like Civil Defence and councils work together. Putting these arrangements in place now will avoid the need to make complex decisions about sharing information in the chaotic environment of a major event and allow for better decision making.

The insurance industry is committed to lifting and enhancing New Zealand's preparedness for and recovery from future major disasters and is encouraged by the willingness of central and local government agencies to 'lean in' and collaborate to safeguard New Zealanders from the significant economic, social and environment loss and disruption these events bring.

2. Climate adaptation

Insurers provide cover against risk, but this cover does not reduce the risk of loss. A huge number of people and communities across New Zealand suffered devastating loss during the North Island weather events. For some, their families, community, and whenua will never be the same as they were before these events.

The insurance industry supports a cross-party political consensus that delivers a clear, coordinated and enduring climate adaptation framework⁸ to plan and invest in reducing risk and protecting communities against the prospect of more severe climate related weather events in the future. This includes avoiding building in areas vulnerable to natural hazards and investing in flood protection and other infrastructure measures to better safeguard communities. By reducing the protection gap we keep communities safe, reduce the costs to taxpayers and ratepayers and maintain insurance capacity and affordability.

⁸ <https://www.icnz.org.nz/wp-content/uploads/2024/07/ICNZ-Submission-to-the-Inquiry-into-Climate-Adaptation.pdf>

Glossary of terms and acronyms

› **EQC - The Earthquake Commission Toka Tū Ake (EQC)**

Established under the Earthquake Commission Act 1993, the precursor to the Natural Hazards Commission established 1 July 2024 (see below).

› **EQCover**

The precursor to NHCover (see below)

› **NHC - The Natural Hazards Commission Toka Tū Ake (NHC)**

Replaced the EQC on 1 July 2024 under the Natural Hazards Insurance Act 2023.

› **NHCover**

Natural hazards cover provided to insured homeowners to help rebuild or repair their homes and limited areas of land if they are damaged by a natural hazard event. The premium paid to private insurers includes a Natural Hazards Insurance levy, which automatically provides access to natural hazards insurance. If property is damaged by a natural disaster, NHCover provides up to \$300,000 insurance for buildings – the 'cap' - and cover for some residential land. Any cover over the cap is covered by private insurance.

› **NDRM - Natural Disaster Response Model**

The National Disaster Response Model (NDRM) was established in 2021 and is a partnership between nine private insurers and the NHC. It provides customers with a single point of contact (the private insurer) for lodging and managing EQCover claims and claims related to the cover provided by their insurer. Under the model, private insurers act as the NHC's agent to assess and settle EQCover claims.

› **NEMA - National Emergency Management Agency (NEMA)**

The Government lead for emergency management. NEMA provides leadership in reducing risk, being ready for, responding to and recovering from emergencies.

› **CDEM - Civil Defence Emergency Management**

The activities that guard against, prevent, or overcome any hazard, harm or loss that may be associated with an emergency. The Civil Defence Emergency Management Act 2002 provides a comprehensive definition of civil defence emergency management.

› **FOSAL - Future of Severely Affected Land (FOSAL)**

Government/local government programme offering financial support for properties severely affected by the North Island weather events. Properties are categorised 1, 2 or 3. (See Appendix 1 for detailed information on the categorisation system).

Appendix 1: Scope of the review

Te Kāhui Inihua o Aotearoa/The Insurance Council of New Zealand (ICNZ) has worked with its members to review the insurance industry's response to the North Island weather events.

As part of the review, ICNZ undertook a survey of its members representing 95% of the sector examining:

- Lessons learnt from previous major events
- Insurers' response timeframes, resources deployed, claims handling, complaints, communication with policyholders and engagement with stakeholders
- Impact of regulatory requirements, insurers' interactions with emergency management and local government agencies, and broader external pressures including labour constraints
- Insurers' views on how New Zealand can better prepare for natural disasters in the future.

This report summarises findings of the survey.

Data has also been sourced from a range of internal documents along with official reviews into the response, including:

- Government Inquiry into the Response to the North Island Severe Weather Events
- The NHC¹⁰ review of the Natural Disaster Response Model (NDRM)¹¹ to the North Island Weather Events 2023

Out of scope of review

This report is not a comprehensive review of the response. It is focused on the industry's view of the events and its initial view of future preparedness.

The scope of this review also does not extend to the following:

- The impact of the level of insurance protection within the community (i.e. insurance availability and affordability)
- How land use planning, building codes and requirements, preventive resilience and mitigation measures impacted the insurance industry's response to the North Island weather events
- An assessment of how products are designed, the policy terms and definitions, interpretation and coverage by insurers including exclusions and limitations
- The nature of policies
- Any review or assessment of individual policyholders' claims or complaints
- Assessment of the effectiveness of other organisations involved in the recovery.

¹⁰ It should be noted that the Natural Hazards Insurance Act came into effect on 1 July 2024, replacing the Earthquake Commission Toka Tū Ake (EQC) with the Natural Hazards Commission Toka Tū Ake (NHC), and EQCover with NHCover. This report refers to claims for losses resulting from events prior to 1 July 2024. As such, "EQC" and "EQCover" will be referred to throughout the report.

¹¹ The Natural Disaster Response Model (NDRM) model was developed by insurers and EQC in the wake of the Canterbury earthquakes. The NDRM gives insurance customers one point of contact – their insurer – for assessing, managing and settling all their claims.

Appendix 2: The Land Categorisation System

In May 2023, the Government announced a system of land categorisations, called the Future of Severely Affected Land (FOSAL). This system assessed the future risk of affected properties by categorising them according to the risk to life present at the property level.

- **Category 1:** Repair to previous state is all that is required to manage future severe weather event risk
- **Category 2P:** An intolerable risk to life is present, however, property level interventions (e.g., lifting a home's floor height above flood levels) are able to manage future severe weather event risk, possibly in tandem with community level interventions
- **Category 2C:** An intolerable risk to life is present, however, community level interventions (for example, a stopbank) makes managing future severe weather event risk possible
- **Category 2A:** An intolerable risk to life is present and further assessment is required to assess a property to assign a category
- **Category 3:** An intolerable risk to life is present and future severe weather event risk cannot be sufficiently mitigated. Some land uses may remain acceptable, however, continued residential use is not allowed.

Properties in Category 3 were purchased by councils under a shared funding agreement with central government.

Councils managed the process of land categorisation and voluntary buy-outs for Category 3 properties. The purchase offer presented to homeowners was net of an insurance payout (including NHC settlements).

Appendix 3: Cyclone Taskforce framework

DRAFT FRAMEWORK FOR AN INTERGENERATIONAL, SOCIETY-WIDE FOCUS ON NATURAL HAZARD RISK REDUCTION AND RECOVERY

VISION

Protecting and growing the wellbeing of New Zealanders through the timely and certain long-term reduction in natural hazard risk.

DRIVERS FOR CHANGE

New Zealand is the second most exposed country to natural hazards, with insured losses of \$43b and extensive socio-economic impacts.

Natural hazards impacts are growing due to development choices in hazard prone locations and the effects of climate change on median and extreme climatic events.

New Zealand's attitude toward natural hazards emphasises reactive response and recovery over proactive risk reduction and resilience building.

Society expects that both local and central government should play a prominent role in managing natural hazard risk.

Central and local government face fiscal constraints and cannot afford to sustain current practices and their economic consequences.

There is a growing gap between the increasing impacts of natural hazards and the systems we use to manage natural hazard risk.

PRINCIPLES

Targeted and proportionate to the problem, while also low cost to implement and operate.

Flexible, adaptable and affordable so that it is sustainable over its lifetime.

Community centred and supportive of communities experiencing vulnerability.

Respect and uphold the principles of Te Tiriti o Waitangi, recognising Māori rights and responsibilities.

Intergenerational focus on risk reduction outcomes.

Those in the best position to reduce risk should act.

TARGET OUTCOMES

Individuals are well-informed, incentivised and accountable for reducing natural hazard risk.

Political and social consensus in support of increased natural hazard risk reduction.

New Zealand has the financial capacity to recover from major natural disasters.

Ongoing programme of targeted, prioritised and funded natural hazard risk reduction actions.

Measurable reduction in New Zealand exposure and vulnerability to natural hazard risk in the areas that need it most.

PRIORITY ACTIONS

LEADERSHIP

- Establish a clear and inspiring vision to drive focus and mobilise action on natural hazard risk reduction.
- Assign responsibility for natural hazard risk reduction to a senior minister and clarify the role and accountabilities of agencies.
- Set clear targets and priorities for natural hazard risk reduction.

DATA-DRIVEN DECISION MAKING

- Establish a consistent and scalable measure of natural hazard risk to the built environment to support targeting and measuring risk reduction.
- Build and share core natural datasets and models within the national science priorities.
- Work with industry to establish a benchmark that can be used by local government in building and upgrading flood protection infrastructure.

Natural hazard risk reduction and recovery

- Establish a dedicated fund to support co-investment in improving flood management infrastructure.
- Continue to develop a framework and legislation to enable pre-emptive managed retreat from area of unacceptable natural hazard risk.
- Strengthen land-use planning policies and practices to support long-term risk reduction by avoiding and better controlling development in high-risk locations.
- Continue work on ensuring homes and buildings are resilient to climate and seismic hazards through updates to the building code.

INVESTMENT IN RISK REDUCTION

- Implement proactive initiatives to improve protective and resilience measures for buildings and locations facing high natural hazard risk.
- Establish a framework for reducing natural hazard risk during recovery, drawing on lessons from recent events.
- Continue to explore the need and options to support the uptake of insurance in high flood risk locations.

ADAPTIVE CAPACITY

PARTICIPANTS

Science System

Planning System

Infrastructure System

Building & Construction System

Finance System

Insurance System

Emergency Management System



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