

10 March 2022

By email: futurepathways@mbie.govt.nz

Future Pathways Policy Team
Ministry of Business, Innovation and Employment

Insurance Council of New Zealand
Level 2 Asteron House, 139 The Terrace,
Wellington 6011

Tel 64 4 472 5230

Email icnz@icnz.org.nz

Fax 64 4 473 3011

www.icnz.org.nz

Dear Sir/Madam,

Te Ara Paerangi - Future Pathways Green Paper

Thank you for the opportunity to submit on the Te Ara Paerangi - Future Pathways Green Paper and contribute to the underlying review of the public research system, with the intention of building a modern, fit for purpose, and future focused research system that is connected, adaptive and resilient, which we support.

By way of background, the Insurance Council of New Zealand - Te Kāhui Inihua o Aotearoa (ICNZ's) members are general insurers and reinsurers that insure about 95 percent of the Aotearoa New Zealand general insurance market, including about a trillion dollars' worth of Aotearoa New Zealand assets and liabilities. ICNZ members provide insurance products ranging from those usually purchased by individuals (such as home and contents, travel and motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability, business interruption, professional indemnity, commercial property and directors and officers' insurance).

Please contact Nick Whalley (nickw@icnz.org.nz) if you have any questions about our submission or require further information.

1. Submission

In this submission we provide general feedback from a General Insurance industry perspective on the public research system and how we consider it should be improved. We leave it to the research community and other more closely connected stakeholders to respond to the more specific and detailed aspects of this consultation.

Background

ICNZ and its members regularly see the impacts of climate change and natural hazard related risks on people, businesses and communities first-hand. ICNZ advocates for local and central governments, businesses and communities to take a long-term view and act in a proactive, coordinated and resilient manner when it comes to engaging with these matters, drawing upon the best available research and scientific findings, and with regard to appropriate risk management to ensure these risks remain within tolerable levels.

We support ongoing funding of research into climate change and natural hazard risks

Considering the comments above, it should come as no surprise that ICNZ and its members support publicly funded research into climate change and natural hazard related risks (including floods, earthquakes and volcanoes). Similarly, we support ongoing support for the development of GNS's

Natural Hazard Seismic Model and the National Institute of Water and Atmospheric Research (NIWA's) projections on damage due to sea-level rise.

We also specifically support the public funding of research that would assist reporting entities to meet their obligations more easily, consistently and robustly under the incoming climate-related disclosure reporting regime,¹ and from a wider public good perspective, that would assist New Zealand with its commitment to transition to a low carbon economy.

Given the potential catastrophic and wide-ranging impact of climate change and natural hazard related risks, and the critical importance of understanding them for New Zealand to effectively navigate to a more resilient future, we believe research in these areas should be key national research priorities, with appropriate decision-making, accountability and support mechanisms in place to build relevant research capability and enable this research to efficiently occur in a timely and coordinated manner, and easily deployed by end users (as expanded upon later).

We also support the development of a national database for natural hazard risks

We also support the development a centralised national database for natural hazard risks. Benefiting from economies of scale and a consistent approach across the country, we see this as being 'one source of truth' and a substantial public good, that many stakeholders including homeowners, businesses and central and local government can use to better inform their decision-making, planning and investments.² For example, from a property owner end user perspective, the information from this database could be presented in a searchable online platform, providing easy access to digestible and consistent natural hazard information about specific properties across the country. This would enable current and prospective property owners to better understand what the specific risks affecting a particular property were, triggering greater and more precise consideration about how these might be addressed, and the costs involved.

While platforms have been developed by some local authorities, these tend to be limited to flood risk and in the minority, due to capability or resourcing constraints (which is particularly an issue for small councils), or because this not being considered as a priority. Where such databases do exist, they may be inconsistent.³ Another challenge, which a national database would address, is it provides consistent hazard information for assessing the exposure of the built environment at a national scale.

Other changes to the public research system are required

We believe there is significant opportunity to increase efficiency and coordination within the public research system. For example, competition for funding between Crown Research Institutes (CRI) and funding shortages can lead to issues with stakeholders obtaining data. We are also concerned about

¹ This regime requires climate-related disclosures to be provided by reporting entities in their annual reports for reporting periods from on or after 1 January 2023, including licensed insurers with >\$1 billion in total assets under management or annual premium income >\$250 million. See <https://environment.govt.nz/what-government-is-doing/areas-of-work/climate-change/mandatory-climate-related-financial-disclosures/> for more information.

² ICNZ had previously advocated for this work to be undertaken through the ReZealiance project. The intention of this project, which stalled due to a lack of government funding, was using publicly funded research by GNS, NIWA and Land Information New Zealand to produce a natural risk database.

³ For example, recent research examining data on flood hazards found that flood maps provided by regional, unitary and territorial authorities use different flood return intervals (e.g. 1 in 100-year flood risk versus 1 in 500-year flood risk) and use different modelling or mapping methods (e.g. LIDAR, aerial photography, historic data, and computer modelling). See Flood Schemes, Flood Hazards, and Awareness in New Zealand, Patrick Walsh, Ryan Paulik, and Thomas Robertson, 2019 (Deep South Science Challenge project).

government-funded bodies producing essentially the same product,⁴ and query the appropriateness of CRIs charging for data, or otherwise restricting access to it, where making it freely available would clearly be in the public interest, particularly given they have been publicly funded to produce it.⁵

Stepping back, we endorse the comments made on page 2 of Ministry of Business, Innovation and Employment's Cabinet paper dated 28 October 2021 on this matter (our emphasis in bold):⁶

- 5 ***... The 'public' research system – those parts funded mainly or owned by Government - is characterised by a significant amount of fragmentation. There is a lack of role clarity for institutions, unproductive competition between institutions, and a lack of integration between our universities, CRIs and other parts of the research system. Individually, our researchers and research organisations continue to produce excellent research. However, the system does not enable a collective contribution to our long-term challenges.***

- 6 ***We have also seen difficulties in our system adapting to changing national need and building capabilities necessary for future transformation and resilience. There is a proliferation of governance, and a large number of competing strategies and priorities which struggle to be given effect.***

Along with analysing how perverse outcomes caused by commercial drivers and the inflexibility and silos inherent in the existing system can be removed, we expect that greater awareness and clarity around who does what and for what purpose within the research system, the implementation of clear decision-making criteria and accountability mechanisms will assist to resolve these issues. This should also ensure research is appropriately prioritised, funded and supported, and ineffective resource allocation and other inefficiencies are removed.

In prioritising research for funding and ongoing support, we believe decision-making should be largely outcome focussed, with strong consideration given to the problem the research will solve or the opportunity it will exploit, end user utility, and the strength of the connection with the broader public research system strategy. For example, decisionmakers should be able to clearly consider how the outcomes from a particular piece of research could meaningfully influence, or better inform decision-making, or change behaviour in an identified area of focus. We also support meaningful industry and community engagement in these decision-making processes.

2. Conclusion

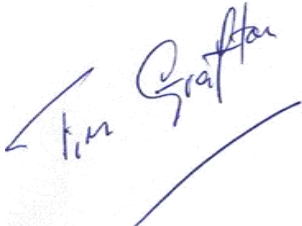
Thank you again for the opportunity to submit on this matter. If you have any questions, please contact our Regulatory Affairs Manager by emailing nickw@icnz.org.nz.

⁴ See for example the competition between the MetService and NIWA who both produce two daily weather forecasts, <https://www.newsroom.co.nz/podcast-the-detail/885500/paying-twice-for-weather-forecasts>.

⁵ A recent example of this is NIWA and GNS's work on the open source RiskScape multi-hazard loss modelling software, which has been made available for free to the research community, but for commercial use requires a license to be obtained, riskscape.org.nz. While EQC, as part funder of this project is not a CRI, it is nonetheless a publicly funded crown entity. Additionally, in pending legislation agreed to by Cabinet one of EQC's purposes is reducing the impact of natural disaster by encouraging resilience. EQC will also have its research and public education functions expanded under this legislation to flexibly contribute knowledge and expertise to improve community resilience and risk management, see <https://www.treasury.govt.nz/sites/default/files/2021-12/eqc-t2020-3143-4350683.pdf>. We also note NZ Declaration on Open and Transparent Government (2011) which strongly recommends the release of all publicly funded data.

⁶ <https://www.mbie.govt.nz/dmsdocument/17664-future-pathways-for-the-research-science-and-innovation-system-proactiverelase-pdf>.

Yours sincerely,

Handwritten signature of Tim Grafton in black ink, written in a cursive style.

Tim Grafton
Chief Executive

Handwritten signature of Nick Whalley in black ink, written in a cursive style.

Nick Whalley
Regulatory Affairs Manager