

23 December 2024

Policy Team
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By email: policyteam@hdc.govt.nz

Attn: FDS

To whom it may concern

Thank you for the opportunity to submit on the Hastings and Napier Future Development Strategy (FDS). Te Kāhui Inihua o Aotearoa / The Insurance Council of New Zealand (ICNZ) is the representative organisation for general insurance companies in New Zealand. ICNZ members provide insurance solutions to people and businesses to protect their most valuable assets and are therefore interested in sharing insights about how the FDS can provide strategic support to sustainable, resilient growth in the region. Insurers assess and price risk and would like to ensure accessible and affordable insurance products for the long-term.

The insurance industry, by its nature, is highly experienced with considering natural hazard risks. The draft FDS acknowledges that areas of Hastings and Napier are at risk of a number of natural hazards including both flooding and seismic risks. Insurers urge the councils to take a precautionary approach when considering the potential for future development in any location exposed to such risks. While we recognise the need for and support future growth for Hastings and Napier, such growth should be sustainable, taking natural hazard risk (including evolving risks with climate change, particularly flood) into account, and avoid development and densification in locations exposed to high risk now and in the future.

Considered decision-making in land use planning that adequately manages natural hazard risk contributes to a sustainable insurance market for the region. Insurance products, in turn, enable individuals, communities, and businesses to protect their assets, supporting a thriving economy. The insurance industry encourages councils to consult with insurers on land use decisions where there are concerns about natural hazard risk.

If an area exposed to high flood risk is to be considered for future development, it should only be where sufficient mitigation can be put in place. Insurers across the industry have varying risk appetites, and all approach risk individually. However, in general terms, prudent underwriters view "sufficient" mitigation as flood protection that manages residual risk to an annual exceedance probability of at least 1:100 years. We note that, taking climate change into account, a 1:100 year event today is likely to occur more frequently and future extreme weather events are predicted to be of higher intensity. Long-term planning should therefore account for the potential to adapt to new circumstances as risks change over time.

In addition to the natural hazards associated with any given location, insurers also encourage councils to consider how density impacts overall flood risk. Councils will be aware greater density may increase flood risk further and require additional investment in flood management infrastructure. Intensification of land use also results in higher risk of flooding from a reduced proportion of permeable surfaces, causing more stormwater runoff and fewer surfaces capable of absorbing it. From an insurance perspective, greater density of housing means more risk for insurers to take on. Higher density in flood-prone locations leads to a higher aggregation of risk to be borne by the insurance industry and may lead to increased premiums.

In conclusion, the insurance sector is committed to supporting the reasonable management of natural hazard risks in the Hastings and Napier FDS. Taking natural hazards into account for land use planning and appropriate risk management will ensure accessible and affordable insurance products, enabling residents of Hastings and Napier to grow and thrive into the future.

If there are any questions or concerns, please feel free to contact ICNZ (icnz@icnz.org.nz).

Yours sincerely



Hon. Kris Faafoi
Chief Executive
Insurance Council of New Zealand