

28 August 2025

Committee Secretariat  
Government and Administration Committee  
Parliament Buildings  
Wellington

## **Local Government (System Improvements) Amendment Bill**

Thank you for the opportunity to provide a submission on the Local Government (System Improvements) Amendment Bill.

The Insurance Council of New Zealand | Te Kāhui Inihua o Aotearoa (ICNZ) supports the bill's intent to refocus local government on core services and infrastructure.

Insurers seek stronger emphasis in the bill on natural hazard mitigation as one of the core services or functions of local government.

ICNZ is the representative organisation for general insurance companies in New Zealand. Our members collectively write more than 95% of all general insurance in New Zealand and protect over \$2 trillion of New Zealanders' assets. ICNZ advocates to sustain a strong and affordable insurance sector, and to enhance the safety and protection of all New Zealanders by strengthening resilience and reducing the risks of climate change to communities and the economy.

The bill's objective is to reduce pressure on council rates and help address cost of living concerns. The bill states that rates rises are being driven primarily by rising council costs, particularly for critical infrastructure. It sets out the Government's view that this is being exacerbated by a lack of fiscal discipline among councils, including spending on activities that stray from core services and spending more than necessary on the basics.

Insurers welcome refocusing on critical and core infrastructure. Improved outcomes from the management of stormwater networks can have a positive impact on reducing flood damage and associated insurance claims volumes. By management of stormwater networks, we mean both building new stormwater infrastructure to respond to increasing climate hazards, and the enhanced maintenance of existing stormwater assets. Flood damage and its associated insurance claims volumes can be mitigated by simple improvements like more regularly cleared culverts. Reductions in claims volumes can impact the future price of insurance, and how global reinsurers perceive New Zealand.

Clause 7 of the bill inserts new section 11A which sets out the core services a local authority must have particular regard to in performing its role. The amendment broadly reinstates the version of section 11A that was in force immediately before the enactment

of the 2019 amendment Act, with two adjustments. The adjustments include updated terms for the avoidance or mitigation of natural hazards (civil defence emergency management).

Under the definitions of core services of local authorities, insurers recommend that natural hazard mitigation is made explicit as a core local government service or activity. The new section 11A refers to section 4 of the Civil Defence Emergency Management Act 2002 (**CDEM Act**). Insurers recommend the bill at least clarify that the thresholds for how local authorities prioritise natural hazard mitigation activities are the same or higher than what they are under the status quo drafting of the Act.

It is important that the provisions of this bill are consistent with the natural hazard mitigation proposals that are being advanced through the RMA reform programme, and the recently consulted National Policy Statement for Natural Hazards.

Flood protection is a critical function of regional councils, especially in the face of increasing climate-related weather events. This critical function safeguards lives, property and infrastructure. The bill as drafted may not give sufficient priority to these kinds of natural hazard mitigation activities which could risk deprioritising the essential work that directly affects community safety and resilience.

If the statutory purpose of local government is interpreted as excluding these functions as core purposes of local government, below the thresholds in the CDEM Act, i.e. declared emergencies, the bill may unintentionally signal that some natural hazard mitigation work is secondary or optional. This could lead to reduced funding, planning, and accountability for these vital functions, and as noted above, lead to increases in damage from natural hazards and associated insurance claims volumes.

It would be valuable for the bill to be explicit about its interface with the emerging National Adaptation Framework legislation that has been announced by the Minister for Climate Change. The report released by the Ministry for the Environment's Independent Reference Group places emphasis on a beneficiary pays or targeted rating model for mitigating rising natural hazard risk from climate change. It would be useful for the framework of the bill to address this directly.

Local government has extensive climate adaptation work underway in different exposed communities. The bill should be clear on how local government climate adaptation work will fit within its framework.

ICNZ members also provide extensive marine insurance policies. Regional councils provide harbour management, including ensuring maritime safety and enforcing harbour rules and regulations. These functions are critical to safety on the water and reducing the risk of damage faced by marine insurance policy holders. The bill should reflect these

functions as core local government activities where a regional council has responsibility for a body of water where insured boating and marine activities take place.

Thank you for the opportunity to make this submission. ICNZ would welcome an opportunity to appear before the Select Committee to speak to the points raised.

Ngā mihi

A handwritten signature in dark ink, appearing to be 'J. Baigent', with a long horizontal stroke extending to the right.

James Baigent  
Resilience Leader  
**Insurance Council of New Zealand**