6 April 2023

Submission to the Ministerial Inquiry into Land Use

Online submission: https://consult.environment.govt.nz/land/ministerial-inquiry-land-use/

ICNZ link = https://consult.environment.govt.nz/land/ministerial-inquiry-land-use/consultation/return?user_id=ANON-KXGS-PUG9-2&key=5ba0f0390cf8388b75d05b09055c377a76479988

Background:

The Hon Stuart Nash (Minister of Forestry) and the Hon David Parker (Minister for the Environment) announced on 23 February (2023) a Ministerial Inquiry into Land Use (MILU) causing woody debris, including forestry slash, and sediment-related damage in Te Tairāwhiti, Tūranganui-a-Kiwa and Te Wairoa regions.

1. Submitter name
Te Kāhui Inihua o Aotearoa / Insurance Council of New Zealand (ICNZ)

2. What is your contact email address?
greig@icnz.org.nz

3. Are you submitting as an individual or on behalf of an organisation?
Organization

4. Which region are you in?
Wellington

5. Please choose any you are associated with:
- Industry body

Section 1: Impacts and Experiences

*There is **one** question that can be answered within section one.*
In this section we are seeking to understand how you have been affected during severe weather events.
This could include personal effects (such as on your home, your ability to access services, and disruption to your life), or could include effects on the organisation you represent (such as a business, trust, Infrastructure provider, or charity).

1. Tell us about your experience during Cyclones Hale and Gabrielle? What effects have you experienced?

ICNZ members are general insurers and reinsurers that insure about 95 percent of the Aotearoa New Zealand general insurance market, including over a trillion dollars' worth of Aotearoa New Zealand property 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).

ICNZ routinely collects data on weather events from members at the 1-month (provisional) mark and 3-month (final) mark. The cost of natural disaster data is published here. As of 1 April 2023, with respect to the Cyclone Gabrielle event, ICNZ members have dealt with the following claims:

Summary: 1 April 2023	Cyclone Gabrielle
Claims Received	44,650
Claims Settled	6,819
Claims Open*	37,831
Claims paid to date	$147,068,198
Estimated cost	$1,155,301,657

(*Open claims include partially settled)

These claims range across residential (20,661), contents (9,756), business (8,010; including policies such as commercial property and business interruption), motor vehicles (5,570), marine (187), crops (58), and other miscellaneous policy types (408).

The data on claims cited above can be drilled down further. In the Hawkes Bay, our estimated insured losses are almost $600 million which includes 4,170 house claims (value estimated at $275 million) and 2,843 business claims (value estimated at $203 million). The corresponding figures in Tairāwhiti being $93 million losses including 711 house claims (estimated value $26 million) and 519 business claims (estimated value $ 16 million).

We would also note that many hundreds of thousands of tonnes of silt and debris also impacted on property damage in addition to the flood waters. We do not know the extent to which slash contributed to how events played out. There is documented evidence of slash building up around bridges. This may have led to water backing up and overflowing onto the surrounding area.

ICNZ and its general insurance members established information and assistance hubs in the affected areas to provide customers with advice and support in making claims to their respective insurers. Insurers also handle the processing of EQCover claims for land damage on behalf of Toka Tū Ake EQC.

We are unable to provide data on Cyclone Hale at this time.

Section 2: Causes

*There are **three** questions that can be answered within section two.*
In this section, we are seeking your views on how land-use has contributed to the size and scale of the impacts of severe weather.

2. What is it about the way we use land, and how land use has changed over time that led to the effects being so severe?

It is crucial to recognise that climate change is increasing the frequency and severity of extreme weather events, and we must take immediate action to protect ourselves, our communities, and our economy. A sustainable insurance sector, one where cover is available and affordable for New Zealand homes and businesses, needs a more comprehensive approach to land use, repair, and development that prioritises adaptation and resilience. Unless, we improve resilience to extreme weather events, our communities will become more vulnerable and insurance less affordable. It is also important to

look at risk in a broader sense than one hazard, but in terms of the potential for cascading perils. For example, flood banks may be constructed to withstand a 1:100 year flood event, but the models used to inform riverine flooding may well not have considered the impact of landslides and slash being washed into river systems during times of very heavy rainfall.

Land use: This is a critical factor in determining the vulnerability of a community to natural disasters. The recent events have shown that land use planning needs to be improved to ensure that communities are not exposed to unnecessary risk. This means that future development should consider the potential impact of natural disasters and be designed in a way that minimises risk to people and property. It is essential to recognise that land use planning is a long-term process, and decisions made now will have a significant impact on the future of our communities. We understand that there is plenty of historical evidence held by territorial local authorities in both the Hawkes Bay and Tairāwhiti regions from previous flood events that would have suggested that some areas should not be rebuilt with residential property. Over the years, this has been ignored.

Repair: In the aftermath of an extreme weather event, repair work needs to be carried out quickly and efficiently to ensure that people can return to their homes and that businesses can resume operations. This requires a collaborative effort between government, businesses, and communities. As noted, insurance proceeds play a very significant role in supporting economic recovery. General insurers recognise the need for timely and effective repair work to ensure that the impact of natural disasters is minimised. Our members work closely with their clients to ensure that claims are processed quickly, and repairs are carried out efficiently. However, it is crucial to recognise that repair work is not enough on its own. Without a focus on climate change adaptation and resilience, communities will continue to be vulnerable to natural disasters.

Development: An emphasis on adaptation and resilience is the key to reducing the impact of natural disasters. New infrastructure should be designed in a way that can withstand extreme weather events. Additionally, existing infrastructure should be upgraded to ensure that it is resilient to natural disasters. It is essential to recognise that climate change is increasing the frequency and severity of extreme weather events, and our infrastructure needs to be able to cope with this changing climate. The recent events have highlighted this.

New Zealand's general insurance sector recognises the importance of taking immediate action to protect ourselves, our communities, and our economy. This requires a comprehensive approach to land use planning, repair, and development that prioritises climate change adaptation and resilience. It is essential to recognise that climate change is increasing the frequency and severity of extreme weather events, and we must act now to ensure that our communities are prepared for the future. By working together, we can create a more resilient New Zealand that can withstand the challenges of a changing climate.

3. Are there specific practices or ways in which we use the land that have caused more harm than others? Which of these practices are most important? Why?

Stop developments in areas vulnerable to flooding or sea level rise.

Developers should take the long view about where to locate new developments and consider future risks. However, with the demand for housing high a shorter-term view is likely to prevail if land is relatively cheap. It is often cheap for a good reason – it is of poor quality or prone to natural hazards

like flooding. We note recent and planned development near the mouth of the Esk River in areas impacted by ex-Tropical Cyclone Gabrielle and are close to sea-level.

It is critical that this attitude changes and the country avoids further investment in new property and supporting infrastructure on land that is vulnerable to flooding or will be in future due to climatic changes and/or sea level rise. Where the risks become too high, insurance will signal this through higher prices, reduced cover, or unavailability. If property value or the property itself is at risk, pressure falls on government to invest in protection or to compensate owners. Whether investing in protection will be practical or affordable will depend on the circumstances.

Insurance only responds to unforeseen and sudden events. Damage due to sea-level rise alone is not unforeseen and gradual. Therefore, there will be no insurance cover from the impact of sea-level rise over time.

To avoid these sorts of adverse outcomes, local authorities to preclude or deny consent applications for new developments where taking the long view shows risks from hazards will increase too much. Some local authorities should already be applauded for tackling the issue by reviewing their district plans and signalling the need to avoid or retreat from vulnerable areas.

ICNZ looks forward to participating in the process for developing the National Planning Framework and engaging with local governments on more detailed planning, as envisaged in the RMA reform legislation package[1]. We believe that councils need more backing to do the right things in land-use planning and infrastructure investment.

4. Is there anything else we should know about that has contributed to the damage from severe weather?

In the ICNZ submission on the Natural and Built Environment Bill, we endorsed that legislation making reference to both natural hazard and climate change risks and impacts. That said, separate regard must be had to both matters (e.g. considering the risk and impact of fire or earthquake when building denser housing in an area without reticulated water supply or that is prone to liquefaction). It is also possible for these matters to overlap and/or interact and regard should be had to that.

For example, climate change:

- increases the likelihood and severity of a range of natural hazards including floods, storms, and other weather-related events,
- is attributable to the sea-level rising and associated issues such as coastal erosion and inundation, and
- increases the likelihood and severity of droughts, heat waves, water shortages and wildfire.

Conversely, land and waterways damaged by an earthquake may be more susceptible to climate change impacts such as increasingly frequent and severe floods, storm surges or the sea-level rising.

[1] The Natural and Built Environment, Spatial Planning, and Climate Adaptation laws.

Section 3: Policy framework, including Legislation, Market settings and Regulations

*There are **two** questions that can be answered within section three.*
In this section we are seeking your views on the laws, policies and rules that influence the way our land is used.

5. How do the current laws, policies and rules influence the way we use our land? What works well? What is unhelpful? Think about the current legislation, market drivers and conditions, regulations, rules, and the way in which requirements are enforced.

Consistent with the precautionary approach and given there is a degree of uncertainty about natural hazard and climate change risks and impacts (as outlined below), we consider that it is imperative that resource management decisions are made with a view to ensuring these risks/impacts are kept within tolerable levels and ideally do not increase. This reflects that while it may not be possible to reduce these risks/impacts in all cases, they should nonetheless be actively managed to a level that is tolerable (e.g., within the applicable risk appetite).

We acknowledge that this approach would need to be supported by guidance (either within the national planning framework, the Natural and Built Environment Bill, and/or in some other form) detailing what the applicable tolerance levels were and how risks/impacts would be assessed against them.

Consideration needs to be given to having clear roles and responsibilities across, and interface between the Natural and Built Environment Bill, the Climate Change Adaptation Act (**CAA**) and the Spatial Planning Act (**SPA**), so that they fit together and form one coherent package. Our long-term infrastructure planning needs to be resilient to climate-related risks as do the activities and land uses that infrastructure supports.

A clear and joined-up approach in all these respects will be critical to ensuring that:

- the reform objectives are achieved
- there is effective risk management
- good progress is made towards the Government's climate change goals, and
- there is sufficient clarity from a regulatory perspective, including in respect of relevant parties' legal rights and obligations, with an efficient regime that avoids costly and unnecessary duplication and inconsistencies.

It would also assist to reflect upon **timeframes** that decision-makers must have regard to. One of the current challenges local governments must work through for planning and investment purposes is the different timeframes set out in the applicable legislation. For example, the Local Government Act 2002 refers to a Long-term Council Community Plan with an anticipated 10-year minimum timeframe and the Resource Management Act 1991, providing for a Regional Policy Statement and Regional and District plans, refers to 10-year timeframes. However, the requirement under the Local Government Act 2002 to produce an Infrastructure Strategy identifying significant infrastructure issues refers to at least a 30-year period.

6. Anything else you would like to say about the current policy framework?

There needs to be greater clarity and priority attached to long-term climate change impacts in the planning and consenting process.

Section 4: Solutions

*There are **four** questions that can be answered within section four.*
In this section, we are seeking your vision for the future about the way we use our land in Tairāwhiti, Tūranganui-a-Kiwa, and Te Wairoa.

7. What is your vision for the future of land use in the region?

Our vision for these areas is one where there is a tolerable level of risk to people, their property, their cultural assets and the environment and where the transfer of risk to insurers is enabled. We acknowledge that the key decisions needed to achieve this vision will rest with the local community and what mitigations to natural hazards may be feasible and affordable.

We support the following approaches to help support the achievement of that vision:

- explicitly require consenting authorities to give primacy to climate impacts where the risks will become intolerable over a 50-year horizon.
- acknowledge that the cascading and compounding impacts of climate change will require collaborative, cross-sectoral responses at local and national levels.
- ensure the Avoid, Control, Transfer and Accept (ACTA) risk management framework is consistently applied by consenting authorities.
- mandate a Dynamic Adaptive Policy Pathways (DAPP) approach to coastal areas and flood plains where the risks will become intolerable over a 50-year horizon.
- stop new development in high-risk locations where the risks will become intolerable over a 50-year horizon.
- identify and prioritise those areas that are at highest intolerable risk.
- intolerable risk needs to be holistic (social, environmental, cultural, uninsured and insured economic loss taken into account)
- acknowledge that managed retreat will in almost all situations be a last resort if it is feasible, once all other adaptation measures are exhausted by taking a precautionary approach.
- apply a DAPP approach acknowledging the long lead time required to design, plan, and execute flexible adaptation solutions that.
- a greater focus needs to be applied to roles and responsibilities for adapting to climate impacts which will lead to greater clarity about tackling managed retreat.
- building codes and standards should prioritise resilience as a principle underpinning the design standards for flood.
- how we build and where we build will interact with adaptation initiatives including managed retreat.
- develop a simple resilience rating standard for all homes to reflect their vulnerability to key climate risks like flooding.
- develop an open-source portal that the public can access to assess their vulnerability to key climate risks like flooding.
- increase the use of sustainable drainage systems in developed areas and improve flood plain management and resilience measures for homes and businesses.

8. What do we need to do to achieve this vision?

Please think about:

- *Immediately? (in the next 12 months)*

The identification of high-risk areas, a clear understanding why they are high risk areas and an assessment made about what feasible mitigation action can be taken to keep the risks to a tolerable level. People in these areas need to be given certainty about the future risks to their property as soon as possible. In the first 12 months, mitigation is likely to focus on rebuilding stop-banks and straightforward engineering solutions.

- *In the short term? (next 1- 2 years)*

It is likely that the feasibility of longer-term solutions and options have been developed by this time. Consultation with communities on these options showing the likely costs, sources of funding and timeframes should occur.

- *In the medium term? (3-5 years)*
- *In the long term? (10+ years)*
- *Far into the future? (30 - 100 years)*

Whatever occurs in terms of hazard mitigation should be informed by the long-term and longer-term horizon, so medium term mitigation is consistent with future options. It would be a mistake to segment these timeframes in a way that one did not naturally lead into the other; the starting point should be the "far into the future view" deploying a dynamic adaptive pathway policy approach.

9. Is there anything that shouldn't be changed, for example, things that if changed would make it worse?

Please explain your answer here

It is critical that decision making by people, businesses and governments is underpinned by good quality information on natural hazard risks at both a community and individual property level. Significant natural hazard risks already exist, and climate change will affect various locations and properties in different ways. Some will face changes over time in the frequency of certain weather-related events (e.g. storms, droughts). Others will face changes in the nature or extent of such events, and for properties exposed to sea level rise the increased risks and inexorable impacts of this will be driven by the speed and extent of sea level rise. The need for such risk information is not limited to climate change but it is a crucial dimension of it.

It should be a goal to ensure that all property owners are able to easily access and understand the specific natural disaster risks facing their properties (e.g. from flooding, earthquake, landslip etc), both now and in the future. This understanding will help to inform sensible investment and motivate action on resilience by people, businesses, and communities.

10. In your view, which groups need to be involved in developing solutions and what is the best way for these groups to be involved?

Please explain your answer here:

We can make New Zealand more resilient by bringing together ICNZ members and banks with the research community, local and central government, and Toku Tū Ake EQC to inform adaptation measures. Government advisors, regulators, and politicians can gain a deeper understanding of insurance issues through quality briefings and submissions.

We must recognise that some issues are too big for one entity and so solutions often require broad, co-ordinated, cross-sectoral responses over the long-term.

A collaborative approach from government and industry can deliver solutions for issues with broad impacts across Aotearoa: social, financial, environmental, and technological impacts that cannot all be managed by a single department or Ministry. There needs to be private sector input into policy development processes and the development of implementing actions. And, perhaps most importantly, communities must be part of the process so they can understand and buy-into solutions.

Provide general feedback

*You can provide **general comments** on this consultation, and upload up to **one PDF** in this section.*
Any general feedback on the consultation
Add your comments, ideas, and feedback here:

While this inquiry inevitably has a strong focus on how slash contributed to loss from these weather events, the principles applied here should be applied more widely. That is, we need to take a long view to the impact of hazards, the changing climate landscape and a broader view of potential cascading secondary perils which can often be more destructive than the original hazard. And while extreme rainfall and flood may be an obvious focus, we should also consider other hazards, such as, wildfire.

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

Yours sincerely,

Greig Epps
Regulatory Affairs Manager