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Introduction

Te Kāhui Inihua o Aotearoa | The Insurance Council of New Zealand (**ICNZ**) welcomes the opportunity to provide feedback on the discussion document "Strengthening New Zealand's Emergency Management Legislation." ICNZ and its members are committed to enhancing the resilience of communities and ensuring effective risk management practices. Insurers play a critical role in emergencies in New Zealand, particularly natural disasters causing damage to property. Insurance products enable individuals, businesses, and communities to recover from these events and support the '4 Rs' framework (reduction, readiness, response, and recovery) that makes up the end-to-end risk management approach of emergency management in New Zealand.

We support the National Emergency Management Agency's (**NEMA**) efforts to reform emergency management legislation to better prepare for and respond to emergencies.

General Comments

The insurance sector supports the overall objective of strengthening New Zealand's emergency management system. It is well-understood that New Zealand is a risky country, with some risks (such as climate-driven risks) expected to increase for the foreseeable future. The ability to recover from natural disasters will be vital, and we therefore agree that the emergency management system would benefit from reform to enhance New Zealand's resilience.

In particular, ICNZ and its members welcome a focus on planning for a whole-of-society approach to emergency management. Insurers and the products they offer are a vital part of the holistic approach to recovery from disasters. A 2020 report from the University of Cambridge Centre for Risk Studies analysed catastrophe case studies from around the world. It found a striking gap between how quickly communities recover after a disaster based on how effectively those recoveries were managed. Significantly, countries with higher insurance penetration experienced better and faster recoveries than those with lower insurance penetration¹.

In New Zealand, the devastating North Island severe weather events in 2023 resulted in an estimated \$9 billion – \$14.5 billion in total economic cost. Insurers contributed approximately

¹ Cambridge Centre for Risk Studies and AXA XL, 2020. Optimising Disaster Recovery: The Role of Insurance Capital in Improving Economic Resilience (<https://axaxl.com/-/media/axaxl/files/optimizing-disaster-recovery.pdf>)

\$3.8 billion² to the recovery – meaning the insurance sector put \$3.8 billion back into the economy that allowed people, businesses, and communities to recover. After experiencing a traumatic emergency, it is vital that families and businesses can return to ‘normal’ as soon as possible. For most individuals and businesses, insurance cover enables that return to normal.

Over 118,000 insurance claims resulted from events in 2023, nearly three times more than resulted from the Kaikōura earthquake. 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 earthquakes³. The insurance sector has a track record of applying lessons for continued improvement to deliver the best possible outcomes for customers.

Given the sector’s role in supporting effective, rapid, and high-quality recovery, we encourage NEMA to consider how ICNZ and insurers can be integrated into the management of emergencies in New Zealand. Importantly, the insurance sector can relieve a significant load from the agencies leading response and recovery by looking after insurance customers and enabling their return to ‘normal.’ Working closely with NEMA and regional or local Civil Defence Emergency Management (**CDEM**) groups as trusted partners, ICNZ and our members can make a significant contribution to strengthening New Zealand’s emergency management system.

Other legislative reform across the system

We note that the consultation document is heavily focussed on the response phase of emergency management. Recent research commissioned by an ICNZ member found that public spending on natural hazards is dominated by recovery spending, with relatively little invested in reducing risk⁴. The consultation document rightly points out that New Zealand is a risky country, with significant seismic risks and increasing climate-driven risks. Fundamentally, insurance is a risk transfer tool. The greater the risk, generally, the higher the premium charged by an insurer to accept that risk. If, over time, risks continue to increase, in extreme cases insurance products may not be sustainable. To keep insurance accessible to all New Zealanders over the long-term, risks need to be managed and reduced.

In keeping with the 4 Rs framework and a holistic approach to emergency management, we see potential for reform of the emergency management system to fit with wider legislative reforms currently underway or proposed, especially when it comes to investment in risk reduction.

Resource management reform and the national adaptation framework both play a role in risk reduction. As the Resource Management Act 1991 (**RMA**) directs regional councils and territorial authorities on land use decisions to manage natural hazard risks, it plays a significant role in reducing risks by avoidance or mitigation of those risks, especially when it comes to new land

² ICNZ: ICNZ Sitrep 15 2024

³ ICNZ, 2024. North Island Weather Events: The Insurance Industry Response (<https://www.icnz.org.nz/wp-content/uploads/2025/02/ICNZ-NIWE-REPORT-FINAL-1.pdf>)

⁴ Sapere, 2025 Natural hazards-related public spending in New Zealand: Tracking costs over time by the nature of spending (<https://www.iag.co.nz/content/dam/corporate-iag/iag-nz/nz/en/documents/corporate/natural-hazards-public-spending-nz.pdf>)

uses and activities. Adaptation planning addresses risks for existing assets that need to adapt to increasing risks brought on by climate change, and we welcome the government's work on a National Adaptation Framework to reduce climate-related risks now and into the future. While both the resource management system and emergency management systems are being reformed and a National Adaptation Framework is developed, there is an opportunity to ensure a unified purpose of risk reduction now and into the future.

Objective 1: Strengthening Community and Iwi Māori Participation

As set out above, the insurance industry supports development of a whole-of-society approach to emergency management. This aligns with global best practice and with how complex problems are solved during real emergencies – all parts of the system, from central, regional, and local government, to communities, businesses, iwi Māori, and individuals can play a role. Proactive planning for how all parts of society can work together in an emergency eliminates the need to create new arrangements in the chaotic, post-event environment.

Issue 3: Strengthening and enabling community participation in emergency management

Everyone plays a role in managing their own risks, and insurers support people helping family members, neighbours, and others in their communities by making use of skills, information, and resources to look after one another in response to an emergency. We agree that planning how offers of this type of assistance can be utilised is valuable. Relevant to this, we point out that insurance contracts typically require the insured to "take all reasonable steps to mitigate future loss or damage." It is important to carefully consider how any proposed options interact with these obligations. For instance, evaluate how the chosen option might influence the interpretation of what constitutes "reasonable steps."

While we are not suggesting a specific course of action in relation to issue 3, we encourage officials to keep this in mind when making decisions about how to proceed.

Issue 4: Recognising that people, businesses and communities are often the first to respond in an emergency

As above, insurance contracts typically require the insured to "take all reasonable steps to mitigate future loss or damage." It is important to carefully consider how any proposed options interact with these obligations.

We also note that insurers can arrange for urgent works to make properties safe or prevent further damage. In many cases, access to properties is required (see response to issue 13 regarding managing access to restricted areas).

Objective 2: Providing for clear responsibilities and accountabilities at the national, regional, and local levels

Issue 5: Clearer direction and control during an emergency

In line with earlier comments around the whole-of-society approach to emergency management, we believe that effectively responding to an emergency includes responding to all impacts, including dealing with the hazard (wildfire, flood, earthquake, and so on) as well as the wider consequences. **Option 3 (legislative) best allows for this**, with a Group Controller (for local emergencies) or the Director (for national emergencies) managing the overall response, including dealing with the specific hazard.

We believe this will also result in greater consistency in management of response to and recovery from events. Primary aspects around decision making and recovery priorities should take primacy over technical aspects or variable impacts of the specific hazard, which can be advised on sufficiently by the agency responsible for the hazard. Response and recovery stakeholders, including insurers, would benefit from single point accountability across all emergencies and reduced time of ambiguity.

Issue 6: Strengthening the regional tier of emergency management

We are supportive of issue 6, strengthening the regional tier of emergency management, for the same reasons: improved consistency and simplified accountability. However, as the technical approach to structuring regional CDEM groups is outside insurers' area of expertise, we will not recommend a specific option.

Objective 3: Enabling a higher minimum standard of emergency management

Issue 9: Strengthening local hazard risk management

As is outlined above, insurance accessibility over the long-term is driven by prudent risk management and proactive investment in reducing risk. We know that for every \$1 invested in mitigating risks, between \$2 and \$10 net economic benefits result. Because of the current focus of the emergency management system on response, and the need for fundamental change when it comes to risk reduction, we support option 4 to allow for secondary legislation to address local hazard risk management.

We note that, once reformed, resource management legislation (including the proposed National Direction on Natural Hazards) and the pending National Adaptation Framework will be key pieces of secondary legislation that can prescribe consistent settings for hazard risk management (such as risk assessment processes) and allow the different systems to coordinate to achieve the goal of reducing risk.

Integration of emergency management legislation with resource management and a National Adaptation Framework also ensures clarity both before and after an event occurs and sends clear signals to individuals, communities, and businesses about how New Zealand will manage natural hazard risk.

Objective 4: Minimising disruption to essential services

11.3: Barriers to cooperation and information sharing

The critical role of the insurance industry in the overall recovery from a disaster is set out in the 'General Comments' section of this submission. While not a lifeline utility and not responsible for life and safety, there are many similarities in the operational response of the insurance industry and the emergency management sector. Insurers need reliable situational awareness to inform scaling up and deployment of resources in much the same way CDEM Groups need to understand impacts to respond to the needs of impacted communities. The more (and higher quality) information and data that insurers receive, the more likely that insurance resources (such as building damage assessors) can be deployed to those with the most urgent needs. This in turn reduces the burden on local and regional Civil Defence groups and the Government to manage and respond to those impacted.

Insurers experience many of the same challenges outlined in 11.3. Without access to reliable information and data collected by CDEM groups (such as impacts, building placard status, or the reasons for a placard and what is required to remove it), the insurance response can be negatively impacted. For example, delays in information flows about properties with building restrictions (such as red and yellow placards), particularly evidenced during Auckland Anniversary Weekend floods, impose severe delays to settlement of claims. Delays receiving advice as to building consent, exemptions, or other permissions impact customers including erosion of allowances for alternative accommodation or rental top up (which insurance policies generally limit by timeframe or a finite sum).

There are also circumstances where the insurance industry can share information that would be of value to many agencies involved in the response to and recovery from significant events. Following the North Island severe weather events in 2023, ICNZ produced regular Situational Reports detailing the insurance response. Understanding how many insurance claims are lodged, and the progress of those claims (subject to privacy laws) across lines of business such as home, contents, or business insurance policies can be a valuable data point for the management of the recovery.

We recommend that information sharing agreements be addressed ahead of time and in a consistent manner across the emergency management system so that technical matters, such as those related to privacy, do not slow down the process when it is pressured by the event.

Objective 5: Having the right powers available when an emergency happens

Issue 13: Managing access to restricted areas

Following a significant disruption or trauma, it is crucial for those impacted to restore a sense of normalcy as quickly as possible. When an event occurs, homes may be uninhabitable, and businesses may be inoperable. Insurance products support the return to normal by allowing those impacted to repair damaged assets, and to fund temporary accommodation or interruptions in trading. However, in many cases, insurers and their agents need access to

damaged properties and businesses as quickly as possible to gather necessary information, arrange urgent works to make buildings safe, and prevent further damage. This, again, can reduce the often-overwhelming burden on agencies managing a response by enabling those insurance customers to return to their homes or re-open their businesses sooner. Progressing insurance claims quickly by allowing access also reduces the risk of insurance customers exhausting temporary accommodation or loss of rental income limits.

We strongly support an approach that would designate insurers and/or their agents as accredited so that they can access restricted areas. Either option 3 or option 4 could achieve this, though option 3 has the benefit of national consistency and reduces any potential confusion post-event around who is or is not accredited. To support this process, insurers could provide assurance that robust health-and-safety processes are followed by their staff and/or agents. Insurers and their agents are experienced at assessing and working on damaged property and as such, we believe can be differentiated from members of the public.

We acknowledge that there can be complexities associated with accessing restricted areas or buildings. In some situations, councils will agree to allow insurers into these properties, if a structural or geotechnical engineer assesses and provides a report on the property and whether it is safe to enter. Alternatively, insurers may be required to have a geotechnical engineer with them to assess a property. These engineers are very costly for customers and, due to demand after a widespread event, there are often wait times of several weeks or months before availability. We recognise the basis for a red placard being issued can vary greatly. In some situations, being in the building carries material and unmitigable health and safety risks (e.g., unstable hillsides). However, following floods the health and safety risks associated with attending a property may be low and mitigatable.

Conclusion

ICNZ appreciates the opportunity to contribute to this important consultation. We believe that the proposed reforms will significantly enhance New Zealand's emergency management system and improve the resilience of our communities. We look forward to continued engagement with NEMA and other stakeholders as these reforms are implemented.

Ngā mihi,



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