

Fact Sheet: Community Protection Levy

What is the Community Protection Levy?

A Community Protection Levy (CPL) would replace the current Fire and Emergency New Zealand (FENZ) levy with a simpler, more durable system focused on funding natural hazard risk reduction and climate adaptation.

It would also move FENZ to secure Crown baseline funding—an approach used in many comparable countries—ensuring emergency services remain well supported while freeing the levy to focus on reducing risk before disasters strike.

Why the current system no longer fits

FENZ plays a critical role in protecting communities and responding when disasters occur. That work is essential and deserves stable, sustainable funding.

However, the current insurance-linked levy:

- Is complex and uneven across asset classes
- Is increasingly difficult to justify as natural hazard risk rises
- Creates administrative burden and compliance costs
- Is no longer well matched to today's risk environment

It currently raises around \$800 million, but funding pressures on the system continue to grow.

How the Community Protection Levy would work

A Community Protection Levy would provide a consistent and predictable source of long-term funding for resilience and climate adaptation and would be collected by insurers on behalf of the Government to ensure a simple and efficient system.

The levy would:

- Apply to fixed assets such as property, based on sum insured
- Include a cap for residential properties
- Raise around \$600 million to \$700 million annually
- Support a pipeline of priority risk reduction work

Motor vehicles would be excluded; they would contribute to FENZ through a charge on vehicle registration.

What the Levy would fund

New Zealand faces rising exposure to natural hazards and increasing recovery costs. The Community Protection Levy would enable sustained investment in projects that reduce risk before disasters occur, including:

- Flood protection and resilience infrastructure
- Coastal protection and managed retreat

- Landslip and storm risk mitigation

By moving FENZ to Crown funding, the levy can be focused on what is most needed; reducing risk and protecting communities.

Why earlier investment pays off

Investing before disasters occur is more effective and less costly than funding recovery afterwards.

- Flood resilience projects are estimated to return \$5 to \$8 for every \$1 invested
- The \$4 million Taradale stopbank helped protect communities during Cyclone Gabrielle
- The \$15 million Awanui Flood Protection Scheme is estimated to have so far avoided around \$50 million in damage
- The \$14 million Waipaoa flood resilience scheme demonstrates the value of acting early

These examples show how targeted investment can reduce damage and improve long-term outcomes.

The costs are rising

Natural hazard events are becoming more frequent and more expensive, while most public spending still goes to recovery rather than prevention.

- The Auckland Anniversary Floods and Cyclone Gabrielle are estimated to have cost \$9 billion to \$14 billion, including \$3.8 billion in insurance claims
- Around 97% of government natural hazard spending since 2010 has gone to response and recovery, with only 3% invested in resilience
- Around 219,000 residential properties are exposed to coastal inundation and inland flooding, representing approximately \$180 billion in assets

This imbalance reinforces the case for sustained investment in risk reduction.

A fairer and simpler approach

Internationally, fire and emergency services are typically funded through central or local government, or through property-based levies rather than insurance premiums.

A Community Protection Levy would provide a simpler and more transparent system, giving New Zealanders a clear and direct way to contribute to reducing the risks they face.

ICNZ research shows strong public support for taking action to protect communities from natural disasters.

The bottom line

A Community Protection Levy would replace the current levy with a simpler system that funds resilience rather than recovery.

By investing more in reducing risk before disasters strike, New Zealand can better protect communities and reduce the long-term economic and social cost of natural hazards.