Insurance Council of New Zealand
40 Bowen Street
Pipitea, Wellington
6011
Email: icnz@icnz.org.nz
Website: www.icnz.org.nz

Shelly Biswell
Principal Advisor
New Zealand Infrastructure Commission, Te Waihanga

By email: *shelly.biswell@tewaihanga.govt.nz*

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Kia Ora Shelly

Re: Insurance Council of New Zealand Comments on Draft Infrastructure Plan

Thank you for the opportunity to comment on Te Waihanga's Draft Infrastructure Plan.

The Insurance Council of New Zealand Te Kāhui Inihua o Aotearoa 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.

New Zealand's potential for natural hazard disasters is severe by global standards, being regularly benchmarked with Chile and Bangladesh at the highest end of expected losses. New Zealand is also facing increasing natural hazards caused by climate change. The current policy settings for responding to these increasing hazards may not be sustainable, with record breaking recovery costs being imposed on New Zealanders. Insurers welcome the Government's focus on improving the way we deal with this challenge, including through the release of the Draft Infrastructure Plan.

As the Draft Infrastructure Plan sets out:

> *"We must continue maintaining and renewing the infrastructure we already have and ensuring that it's resilient against natural hazards" – Page 36*
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> *"The cost of responding to natural hazards will rise as we build more infrastructure and as climate change increases extreme weather events. In some cases, we will find that the approach we took in the past will not continue to work in the future. We will need to adapt." – Page 101*
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> *"In addition to routine maintenance and renewal needs, infrastructure providers need to be*

prepared for additional costs to respond to natural hazard events and other risks that can damage infrastructure. Costs from extreme weather events and flooding will increase due to climate change. These costs are manageable if we plan ahead." – Page 105

The Plan's emphasis on natural hazard resilient infrastructure is critical for maintaining access to insurance and New Zealand's high rates of insurance penetration, which translates into general financial stability. The performance of critical infrastructure in the face of natural hazards, that are increasing with climate change, will be determinative of the future volumes of insurance claims. For example, the Taradale stopbank in Hawke's Bay, which cost approximately $4 million to complete, saved close to 10,000 properties from flooding in Cyclone Gabrielle. The savings in lives and livelihoods from that investment has been quantified in the billions.[1] In a similar case, also during Cyclone Gabrielle, a recently completed section of the $14 million Waipaoa River Flood Resilience Project in Gisborne, protected an estimated 7000ha of residential and horticultural land. Ministers were briefed that it protected a reported 10,000 people and $7 billion of assets, including major transport links.[2]

Insurers commend the Plan's emphasis on maintenance and renewal of existing infrastructure, particularly in the face of rising climate hazards. When critical infrastructure, such as flood defences or stormwater networks fail, due to inadequate or underfunded maintenance and renewals, the results can be at worst deadly and are more commonly costlier, with high rates of insurance claims, than the proactive maintenance would have been. Insurers, along with all New Zealanders, need to have confidence that critical infrastructure is being maintained and renewed so it will continue to perform its intended purpose or function.

As set out in the Plan, Treasury views the future cost of responding to natural hazard events as an "unquantified fiscal risk". Climate change is increasing the frequency and intensity of extreme weather events, and those impacts will continue to worsen in the future.[3] The New Zealand science system is projecting this with high confidence.[4] It is also proven that investments flood resilience infrastructure have a Benefit Cost Ratio (BCR) ranging between 1:5 and 1:8. This means for every dollar invested, there are direct benefits of between $5–$8 generated.[5] Given this reality, we recommend the Plan include an

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1 https://www.resilientrivers.nz/files/1705451844741.pdf#:~:text=Taradale%20stopbank%2C%20which%20cost%20approximately%20$4m%20to,Cyclone%20Gabrielle.%20The%20savings%20in%20lives%20and

2 https://www.beehive.govt.nz/release/value-stopbank-project-proven-during-cyclone

3 https://environment.govt.nz/news/the-science-linking-extreme-weather-and-climate-change/

4 https://niwa.co.nz/climate-and-weather/updated-national-climate-projections-new-zealand

5 https://www.resilientrivers.nz/files/1702942770396.pdf

objective to improve how the Treasury accounts for investments in flood resilience infrastructure against the increasingly predictable cost of not investing in, building, maintaining, and renewing that critical infrastructure. This will improve political decision-making and prioritisation of these works leading to higher levels of resilience, community safety and insurance availability.

If you need any further information and clarification, please make contact.

Regards,

James Baigent
Resilience Leader

M: 021 190 7963
www.icnz.org.nz