

13 May 2022

Customer Services
P. 03 353 9007 or 0800 324 636
200 Tuam Street
PO Box 345
Christchurch 8140
www.ecan.govt.nz/contact

Committee Secretariat
Finance and Expenditure Committee
Parliament Building
Wellington

Tēnā Koutou,

Canterbury Regional Council (Environment Canterbury) Submission: Natural Hazards Insurance Bill

Thank you for the opportunity to provide comment on the Natural Hazards Insurance Bill.
Please find Environment Canterbury's submission attached.

As the regional council for Canterbury, we hold a diverse and complex range of experiences with natural hazards insurance and The Earthquake Commission and encourage reflections on the current state of legislation in line with the recommendations of the 2020 Public Inquiry into the Earthquake Commission.

We welcome this Bill and support its aims to improve and modernise the New Zealand natural hazards insurance system, especially in light of the experiences of Canterbury's communities in the 2010/11 Canterbury Earthquake Sequence and the 2016 Kaikōura Earthquake.

For all enquires please contact:

Bridget Lange
Senior Strategy Advisor
Email: bridge.lange@ecan.govt.nz

Yours sincerely



Jenny Hughey
Chair, Environment Canterbury

Encl: Canterbury Regional Council (Environment Canterbury) submission to Finance and Expenditure Select Committee on Natural Hazards Insurance Bill

Environment Canterbury submission – *Natural Hazards Insurance Bill 2022*

The role of local government and Canterbury's natural hazard context

1. The Canterbury Regional Council ('Environment Canterbury') welcomes the opportunity to comment on the Natural Hazards Insurance Bill 2022.
2. We provide our submission in the context of our roles and responsibilities as a regional council, including monitoring and advising on natural hazards, supporting natural hazard risk reduction, as the administering authority for the Canterbury Civil Defence Emergency Management Group, and our Local Government Act 2002 function to promote the social, economic, environmental, and cultural wellbeing of our community.
3. Environment Canterbury is the regional council for the largest geographical region and second most populous region in New Zealand. Our region encompasses substantial diversity, both in terms of our geography and population, which contributes to a wide range of community needs and expectations.
4. Canterbury has an extremely active hazardscape with the region's population exposed to major tectonic and hydrometrological risks. In recent years Canterbury has experienced large-scale disruptive natural hazard events, including the major Canterbury Earthquake Sequence in 2010 and 2011, the Kaikōura Earthquake in 2016 and Mid-Canterbury flooding event in 2021.
5. While this submission is reflective of Environment Canterbury's position as the Regional Council, we also acknowledge that many of our Councillors, staff, and community have personal experience with the Earthquake Commission (EQC) and natural hazards, both professionally and personally.
6. Our submission reflects this understanding and the strong desire found in Christchurch, Canterbury, and Aotearoa for a natural hazards insurance system that supports people in times of need, acts to support risk reduction instead of passive risk transference, and does not add additional stress to already traumatic events for our community.
7. Environment Canterbury is generally supportive of the Bill. We acknowledge that the experiences of Christchurch and Canterbury have formed a major element of the 2020 Public Inquiry into the Earthquake Commission and support the purpose of the Bill to update legislation to reflect the findings of this report.
8. We support the name change of the Earthquake Commission to Toka Tū Ake – Natural Hazards Commission. This change better reflects the board range of natural hazards and risk reduction functions the commission holds beyond seismic hazards.
9. Environment Canterbury works in partnership with Ngāi Tahu Papatipu Rūnanga to realise their aspirations, and to improve environmental and social outcomes for all of Canterbury. We strongly encourage the Bill to be guided by Te Tiriti o Waitangi, and

the Commission to ensure Māori aspirations, mātauranga Māori, and te ao Māori are embedded within their work.

10. We are generally supportive of this Bill. We provide the following additional comments for consideration, focussed on three key themes which reflect our responsibilities within local government and the aspirations of our communities;
 - a. A fit-for-purpose natural hazards insurance system that provides the right cover and reduces undue stress on communities
 - b. A system which is reflective of the needs for community resilience and wellbeing while also supporting holistic risk reduction
 - c. A legislative framework which is future facing, modern and purposeful.

A fit-for-purpose Insurance System

11. We support the development of a fit-for-purpose natural hazards insurance system, which is timely, equitable, and reduces undue stress on community. We strongly support a system which learns and implements lessons from the Canterbury Earthquake Sequence and other large scale impacting natural hazards events.

Definitions and clarity in the level of cover provided

12. Environment Canterbury has identified several issues with the provisions in the Bill for natural hazard cover which we recommend are addressed by the Select Committee.
13. We encourage a review of the definitions within the Bill to ensure clarity in how definitions of hazards reflect the cover provided.
14. One area for potential confusion is the definition and extent of cover provided for in relation to “tsunamis”. Two types of tsunamis are referred to in the Bill – a “meteo-tsunami” and a “tsunami”. A “flood” includes inundation caused by a meteo-tsunami (large waves caused by changes in air pressure or storms etc.), while a tsunami is defined as an event triggered by underwater landslide, earthquakes or meteorite impacts. Given the differences in the level of natural hazard cover provide for “floods” and “tsunamis” it would be beneficial to define the term “meteo-tsunami” within the Bill.
15. Environment Canterbury has some concern around the cover provided for slow-onset hazards and a disproportional focus in the Bill on rapid onset events. Not all natural hazards are short rapid events, they exhibit a vast range of differing timescales and conditions. While the extension of volcanic hazard damage to 7 days is an improvement, other natural hazards can also have long timescales of event impaction.

16. We note the potential for confusion caused by the term 'landslides' defining all Mass Wasting events within the Bill. The definition used by the Bill for 'landslides' is, in a geological sense, a better description of Mass Wasting and we caution the lack of definitive recognition for slow on-set Mass Wasting events such as creep. There is a key difference between these non-landslide Mass Wasting events and the 'erosion that is the result of the normal action of the wind or water' and we encourage the inclusion of clear wording to recognise all Mass Wasting Events as natural hazards.
17. Similarly, we note the ambiguity in the Bill as to the cover for secondary and cascading natural hazards. These are hazards which occur as a direct result of the initial hazard but at a later time than the primary hazard. Secondary hazards themselves may trigger further hazards resulting in a cascade of different hazard events. Examples of these type of events can be seen regularly in New Zealand and Canterbury and would include examples such as liquefaction following the 2011 Christchurch Earthquake and a series of events related to the 2016 Kaikōura Earthquake. The Kaikōura seismic event triggered a local-source tsunami, slow-slip earthquakes along the Hikurangi subduction zone, more than 18,500 aftershocks and over 10,000 landslides and rockfalls in North Canterbury and Marlborough (secondary hazards). These landslides blocked rivers and generated more than 200 landslide dams which posed significant flooding risk to areas downstream (cascading hazards).
18. A reading of the Bill could be that damage caused by secondary events and cascading hazards is not covered because they may not be classed as a "direct result" of the initial hazard. The Bill provides cover against fires caused by a primary hazard and we would strongly recommend amendment to the Bill to clarify the position of damage caused by other types of physical secondary hazards. We are concerned that the present Bill could cause confusion and community stress if the level of cover provided to physical secondary hazards is not made clearer.

Damage and Claims Periods

19. Our experience with natural hazards shows that after the event it is often extremely difficult to assign which damage occurred within a single 48-hour period, especially when the initial event is a complex hazard. We would encourage a reconsideration of the length of the initial damage period.
20. We also encourage the expansion of the standard claim date upwards from 3 months. We recommend the standard claims period be no shorter than 2 years, noting the struggles people can experience in the aftermath of an event – including re-entering property, the fact that the nature of some damage may not be fully known until after the event – especially if highly technical assessment is required, and the stress a deadline of 3 months could place on the impacted community.
21. We encourage the development of a system where claims on the same property for the same hazard damage (for example multi-unit properties), but which occurred in

different damage periods or are assigned to different agencies, are managed together to support the claimant's ease of understanding and reduce strain on the claimant. A significant amount of the post-earthquake insurance settlement tail in Canterbury were composed of these types of properties, so we welcome improvements that will expedite their fair settlement.

Community Wellbeing and Risk Reduction

22. Environment Canterbury strongly supports the Bill's intention to enact a system which will help communities independently navigate the insurance claims system with ease and respect of their position. The long tail of insurance settlement after the 2010/11 Canterbury Earthquake Sequence demonstrates both the need for such support and the impact unsettled claims can have on the community wellbeing and the recovery of affected property owners.
23. We support requiring the Commission to participate in a dispute resolution scheme and the development of a Code of Insured Person's Rights. Based on our experiences in the Canterbury Earthquake Sequence and the 2016 Kaikōura Earthquake, we support a process that entrenches consumer protection provisions within legislation to fully protect consumers of insurance after natural hazard events.
24. Across New Zealand consumer trust in the insurance industry is low. A 2018 Consumer NZ survey found that only 13% of people surveyed strongly agreed that they could trust insurance companies to give good advice; 18% of participants strongly agree that they could clearly understand the terms and conditions of their insurance policies; and only 8% of people strongly agreed that that insurance company had fair policies.
25. We encourage the government to work with the insurance sector when creating the new Code of Insured Person's Rights so this can be integrated across the wider sector to ensure the public can make informed insurance procurement decisions, allow a fair claims process, and provide access to robust dispute resolution options that can address this mistrust.
26. We strongly encourage that when designing disputes resolutions services, the Commission give particular regard to situations with complex ownership structures, where issues arise not solely between insurers and property owners, but between property owners themselves – for example, multiple unit buildings or shared property.
27. We think fair and timely claims management and settlement is critical for protecting and promoting individual and community wellbeing. In our experience, local government and the community sector provided support to communities navigating the EQC claims process. The development of a Code of Insured Person's Rights and participation in dispute resolution should limit the need to establish new insurance related supports in the aftermath of natural hazard events. We also think the Code of Insured Person's Rights and participation in dispute resolution should enshrined in

this legislation to create identifiable and enduring protections. Robust, transparent, and fair dispute resolution services need to be by design not ad hoc in response to a disaster or change in government.

28. From a community wellbeing perspective, we are pleased to see provisions that will allow working with the private insurance sector to ensure a smooth customer experience perspective, including extending the Commission's ability to delegate claims settlement functions to private insurers. Environment Canterbury notes that dealing with multiple agencies and multiple claims can have a negative effect on community wellbeing and recovery, as was experienced following the Canterbury Earthquake Sequence.

Insurance as a tool for Risk Management

29. Insurance plays a role in how people manage their personal risk and holds highly complex interactions with development and risk reduction. The ability to insure a property, and against which risks, is a factor which influences decisions on where people live and work and can negatively impact other methods of risk reduction and community wellbeing.
30. The provision of an insurance scheme to an area of high hazard risk may encourage continued development of that area. Insurance is a means of risk transfer, taking the economic losses of a possible event away from the insured person and parties with a financial interest in a property, creating a degree of separation to the risk management decision.
31. The continued allowance of development in high-risk areas will mean a higher exposure factor for that community, a greater risk to community wellbeing, and a higher cost of recovery through insurance mechanisms as people claim following events. High exposure factors can strain and undermine other risk reduction methods, such as those to build reduce vulnerability, and can lead to higher costs and overall risk levels.
32. Conversely, the removal of insurance as a means to restrict development also has associated community wellbeing issues. The lack of ability to insure a property to an adequate standard may influence those with the means to leave an area but will often create a situation where those with lower social-economic capital may reside in an increasing unsafe or high-risk area.
33. The concentration of lower socio-economic households into high-risk areas will produce a higher burden of hazard exposure and risk impacts on the already marginalised and vulnerable, who during an event are more likely to be those not covered by the insurance provided in this Bill, such as renters.
34. We also have to consider that those leave an area due to high natural hazard risk or loss of insurance, may feel that their wellbeing has been more severely impacted by leaving than they would have felt if they had remained in the area. This is especially

true if the community has strong cultural or historical connections to the area, or if adequate provisions for wellbeing have not been considered in the receiving community.

35. This is a highly complex issue and reflects widely on many on-going conversations around sustainable development and equity. Environment Canterbury supports the provision of natural hazard insurance at the right time and in the right place. We acknowledge the need to balance consideration of community wellbeing with risk reduction and acknowledge there is no one single path this can take. These conversations require strong local-led planning, and we strongly encourage the Commission to work with local government and communities on this topic further.

Future Focus, Ongoing Reform, and Climate Change

36. We strongly encourage this Bill and the Commission to be set-up in a way that is supportive, durable, and flexible to the ongoing reform processes and transformations occurring within central government legislations – including, but not limited to - Future for Local Government, Resource Management Reform, the NEMA Trifecta programme, Regional Spatial Planning, and national emission reduction and climate adaptation planning.
37. Natural hazards impact and connect to society in multiple ways, and the management of these hazards, including provision of insurance, will have far reaching consequences across these reforms.
38. Climate change is already impacting New Zealand with increased frequency, severity, and exposure to some natural hazards. The multiplying effects of climate change on natural hazards risk and severity is a key part of the ongoing conversations on climate change adaptation and managed retreat. The strategic and planned movement away from areas of risk is currently occupying a major space in the discussion of the upcoming Climate Change Adaptation Act. How and what is insured will play a large role in the development and enacting of this process. These conversations will likely inform how we manage, and potentially retreat from, other natural hazard risks, and encourage the Commission's continued engagement in these discussions.