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**Natural Hazards
Commission**
Toka Tū Ake

Annual Report
2023/24



The foundation from which we stand strong, together.
Ko te tūāpapa e tū pakari ai tātau, kia ngātahi.

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Citation

Natural Hazards Commission Toka Tū Ake (2024) Annual Report 2023/24. Wellington: Natural Hazards Commission Toka Tū Ake.

Published by

Natural Hazards Commission Toka Tū Ake, Wellington, New Zealand

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October 2024



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Introduction and overview

He kupu whakataki, he
tirohanga whānui hoki

From the Board – Mai i te Poari

Tēnā tātou katoa.

On 1 July 2024, the Earthquake Commission Toka Tū Ake officially became the Natural Hazards Commission Toka Tū Ake. This significant milestone brings to a formal close the 80-year legacy of our work as the Earthquake Commission, initially known as the Earthquake and War Damage Commission, and begins another chapter for our organisation.

Being better prepared and building greater resilience

Our new name acknowledges and reinforces the mandate we have to help prevent and reduce the impact on people and property when specific types of natural hazard events strike, not just earthquakes. While our name now more accurately reflects the role we play and the work we do, what has not changed is the collective effort on behalf of the homeowners of New Zealand and the places they call home. In fact, the Natural Hazards Insurance Act 2023 strengthens our role in creating broader awareness and, in turn, resilience ahead of natural hazard events so that homeowners and the communities in which they live are better placed to respond and recover when events do strike. An important part of this is a need to encourage all those involved to ‘build stronger homes on better land’, wherever possible.

Building awareness and understanding of natural hazards through the Natural Hazards Portal

In July 2023 we launched the Natural Hazards Portal. The Portal is aimed at making natural hazard risk information more readily and easily available to New Zealanders, including the location of historic Natural Hazards Insurance claims. We know that this type of information is important in enabling people to make risk-based decisions about property, as well as to do due diligence on property they are considering buying.

There is often an asymmetry of information between authorities (including insurers) and the public, with organisations having a lot more information at their disposal than is available to the public. The Portal aims to help even up that balance. By making relevant detailed information more accessible, we are hopeful that current and prospective homeowners and other interested parties will feel better equipped to make decisions about property, including in relation to where to buy or build, and what they can do to reduce the potential impact of natural hazard risks.

Implementing the new Act and ensuring our operational readiness

Our new legislation, the Natural Hazards Insurance Act 2023 (NHI Act), modernises our previous governing legislation, the Earthquake Commission Act 1993 (EQC Act).



It responds to the recommendations made by the Public Inquiry into EQC and the lessons learnt from the Canterbury earthquake sequence of 2010-2011.

The NHI Act introduces several changes and improvements, including more clarity about the land and building cover under the scheme. In some areas, there is more cover than was previously available under the EQC Act. It also codifies a new approach to handling complaints and disputes, which is designed to make it easier for homeowners when problems arise and need to be worked through.

Planning and implementing a new Act and the supporting operational policies and processes has been a complicated task involving multiple stakeholders. We would like to acknowledge the considerable extra effort that has been required to introduce the Act on time, including from the private insurance industry; it is much appreciated.

Supporting homeowners following natural hazard events

The ultimate test for any insurer is how well it helps those it insures recover after an event, and in our case a natural disaster event. This year we received about 2500 new claims, which is about half the number we would normally expect to receive in a year without a major event. The vast majority of these claims were managed through the Natural Disaster Response Model (NDRM), a model that provides a central point of contact for homeowners for lodging and managing claims related to EQCover, as well as the cover provided by their private insurer.

The relatively benign year claim-wise has allowed us, in conjunction with our NDRM Insurers, to accelerate the recovery effort brought about by the impacts of the 2023 North Island Weather Events.



We acknowledge how difficult this past year has been for some homeowners affected by the Auckland Anniversary weekend floods in January 2023 and Cyclone Gabrielle's devastating effects on Hawke's Bay, Tairāwhiti and other areas in February 2023.

While we were pleased with the steady progress in settling claims from these events, what the North Island Weather Events did highlight is the general lack of awareness around the extent of land cover under the EQC Act. Often the amount of land cover provided under the scheme only represents a contribution towards the overall cost to remediate land damage. As a result, we didn't meet the target levels of homeowner satisfaction for their overall claims experience. We have already begun work to address the underlying issues, including by providing information on why land claims often take longer to settle than

expected and building understanding that the level of cover a homeowner receives will sometimes not cover the full cost of reinstatement.

Meanwhile, work continues to progressively reduce the number of reopened claims on hand in relation to the Canterbury earthquake sequence.

Ensuring financial sustainability of the Natural Hazards Insurance scheme

A new requirement of the NHI Act is the production of a Funding and Risk Management Statement (FRMS) at least every 5 years, the development of which NHC Toka Tū Ake contributes to in various ways, including actuarial modelling on the adequacy of the levy rate. The inaugural FRMS was published by the Associate Minister of Finance alongside the Act coming into effect on 1 July 2024.

An initial finding from the first FRMS is that, based on actuarial modelling, the current levy rate is insufficient to cover the long-term costs of the Natural Hazards Insurance scheme. Consequently, the Minister has requested a review of the financial settings of the scheme, which we welcome.

Alongside the work to support the FRMS, we secured a record level of reinsurance cover for the scheme this year of around \$9 billion, which has the benefit of lessening the ultimate balance sheet risk for the Crown.

Also of note from a financial perspective, the Board was pleased that operating expenses came in below budget for the year as a result of good ongoing fiscal discipline and prudent cost management, something that NHC Toka Tū Ake prides itself on as an organisation as a baseline expectation.



Chris Black
Board Chair



Ruth Dyson
Board Deputy Chair

Acknowledgements

On behalf of the Board, we are pleased to present this final annual report of the former Toka Tū Ake EQC for the year ended 30 June 2024. Overall, we are very satisfied with the results and what has been achieved this year, including responding to the requirements of two governments.

During the year, the Board farewelled Alister James who retired at the end of his term on 30 April 2024. We thank Alister for his constructive and insightful governance contribution and service as a Board member during his tenure.

We would like to make special mention of our hard-working and dedicated Chief Executive Tina Mitchell and her Executive Leadership Team, as well as all our employees. This year has been like no other and the commitment on behalf of homeowners and the organisation more broadly has been exceptional.

Thank you.

From the Chief Executive – Mai i te Tumu Whakarae

Let us stand strong,
together as one, for we are
Toka Tū Ake.

Kia tū tonu, kia tū kotahi, ko
te Toka Tū Ake.

**Tēnā koutou katoa i roto i ngā tini
āhuatanga o te wā**

**Greetings to all, notwithstanding the
myriad issues affecting us today**

As all communities that have been affected by a natural disaster event will tell you, the initial response and support is always positive and visible. However, the recovery process is long and hard and takes months, if not years. That is when the responsiveness and resilience of communities comes to the fore.

Since late January 2023, we have been working closely with homeowners affected by the Auckland Anniversary Floods and Cyclone Gabrielle to help them recover from these destructive events as they navigate the insurance response, council processes and a variety of relief packages. This requires homeowners to suddenly upskill on a lot of processes they may never have navigated before, and certainly not all at once. Recovering from any natural hazard event can be arduous and challenging and we will be here to help the whole way through.

Our strategic framework also ensures we are here to help prepare New Zealand for natural hazards before they occur, alongside responding to them when they do. This year, we have worked across all of our strategic pillars to deliver and improve how our scheme works for New Zealand. We have also delivered on the expectations and priorities of two governments.

Some of the main areas of work presented in this report include: our work with insurers to deliver the scheme for New Zealanders; the continued settlement of Canterbury claims; again securing record levels of reinsurance; and the launch and further development of our Natural Hazards Portal alongside our broader resilience work programme.

We work with insurers so that homeowners only need to engage with one organisation (their insurer) for all their insurance claims for damage by natural hazards. Over the last 12 months, that work has focused on identifying ways we can improve how the scheme responds to severe weather events, such as the storms in Nelson/Marlborough in August 2022 and the North Island in January and February 2023. We know storms like these may become more frequent and severe in the future, as we have seen around the world.

We have also been implementing the last of the reforms from the series of reviews after the Canterbury earthquakes.

The legislation underpinning the scheme was passed in 2023 and we have been implementing the Natural Hazards Insurance Act ready for it to come into effect on 1 July 2024. The new Act clarifies certain aspects of cover and provides enhanced support for homeowners, including through dispute resolution.

Our people have worked incredibly hard over the last 12 months, and I am proud of their drive and commitment to achieve the results we have this year. Together with insurers, we have met the timeliness goals that were set for us. We know there are also critical areas to continue to improve – such as customer satisfaction – and we will maintain our focus on these in the year ahead.

Our work would not be possible without the collaboration of the NDRM Insurers and numerous other stakeholders in achieving positive outcomes for New Zealand. I thank them all for their partnership and support.

As we close out the year covered by this report, we also look ahead. With our new Act now in effect, a new Statement of Intent and updated strategic framework, we are well placed to deliver on our role of reducing the impact of natural hazards on people, property and the community.

Our new strategic framework includes a greater focus on resilience and making the needs of homeowners and communities more visible.

It also recognises and brings to the front the value of our people and enabling functions, such as the science and data we invest in and share, which are critical to delivering both for homeowners who have a claim and those who may be at risk of natural hazard damage in the future.

This year we have put significant effort into continuing to build an effective, responsive organisation, including through our innovative Portal and progressing our data and digital strategy. We will maintain this momentum to ensure we are a world-class public insurance scheme delivering for New Zealand and New Zealanders.

Noho ora mai.



Tina Mitchell
Chief Executive

From the Board – Mai i te Poari

Tēnā tātou katoa.

I te 1 o Hūrae 2024, i ōkawa te huri a te Earthquake Commission Toka Tū Ake ki te Natural Hazards Commission Toka Tū Ake. Ko te katinga ōkawa tēnei o ngā mahi kua 80 tau te roa e mahia ana hei Kōmihana Rū Whenua, otirā i mōhiotia hoki i mua ko te Earthquake and War Damage Commission, waihoki ko te tīmatanga tēnei o tētahi whārangi hou mō tō mātou whakahaere.

Kia pai ake te noho rite me te whakapiki i te manawaroatanga

E tūtohu ana, e taunaki ana hoki tō mātou ingoa hou i tō mātou mana ki te ārai atu me te whakaiti i te pānga ki te tangata me ngā papanoho ina pā ētahi tūmomo pūmate ā-taiao, kua ko te rū anake. Ahakoa e whakaata tika ake tō mātou ingoa hou i ā mātou mahi, ko te mea kāore i rerekē, ko te kaha o te mahi ngātahi mā ngā kaupupuri whare o Aotearoa me ō rātou kāinga. Tūturu, ka whakapakari te ture hou i tā mātou tūrangā ki te whakapiki i te aroā whānui, me te manawaroatanga i mua o te pānga o ngā aituā Māori, kia pakari ai te urupare me te whakarauora a ngā kaupupuri whare me ngā hāpori e noho nei rātou, i te wā ka pā aua pūmate rā. Ko tētahi wāhanga nui o tēnei ko te hiahia ki te akiaki i te hunga katoa e whai wāhi ana ki te 'whakatū i ngā kāinga pakari ake i runga whenua pai ake', i ngā wā e taea ana.

Te whakapiki i te aroā me te māramatanga o ngā pūmate ā-taiao mā roto i te Tomokanga Pūmate ā-Taiao

I te Hūrae 2023, i whakarewaina e mātou te Tomokanga Pūmate ā-Taiao. E whai ana te Tomokanga ki te whakangāwari i te āheinga ki ngā mōhiotia o ngā mōrearea pūmate ā-taiao ki ngā tāngata o te motu, tae atu ki te wāhi o ngā tono kerēme rīanga pūmate ā-taiao o mua. Kei te mōhio mātou ki te hiranga o ēnei tūmomo mōhiotia ki te whakamana i te tangata ki te whakatau i ngā whakataunga i poua ki ngā mōrearea mō ngā papanoho, me te mahi haurapatanga o ngā papanoho e whakaaro nei rātou ki te hoko.

He hanga rerekē i ētahi wā ngā mōhiotia i waenga i ngā mana whakahaere (tae atu ki ngā kairianga) me te iwi, otirā he nui ake ngā mōhiotia e wātea ana ki ngā whakahaere, tēnā i te iwi whānui. E whai ana te Tomokanga ki te whakataurite i tērā. Mā te whakawātea ake i ngā mōhiotia whaitake, ko te manako ka mārama ake pea ngā kaupupuri whare o nāiane, o āpōpō hoki, tatū atu ki ētahi atu rōpū kaingākau, ki te whakatau i ngā take papanoho, tae atu ki ngā whakataunga o ngā wāhi hei hoko, hei whakatū whare rānei, ā, me te whakaiti i ngā mōrearea.

Te whakatinana i te ture hou me te whakarite i te noho takatūtanga ā-whakahaere

Ko tā te ture hou, arā, te Natural Hazards Insurance Act 2023 (NHI Act), he whakahou i tā mātou ture whakahaere o mua, arā, te Earthquake Commission Act 1993 (EQC Act).

Ka urupare ake tēnei ki ngā tūtohu i raro i te Pakirehua Tūmatanui ki te EQC me ngā akoranga mai i te rū whenua o Waitaha i te 2010/11.

Ka whakauru te Ture NHI i ētahi panoni me ngā whakapainga, kia pūahoaho ake ngā rīanga o te whenua me ngā whare i raro i te kaupapa. I ētahi wāhi, he nui ake te rīanga e wātea ana kāore i wātea i raro i te Ture EQC. Ka whakawaehere hoki i tētahi tikanga hou o te whakahaere i ngā amuamu me ngā tohenga, kua hoahoatia kia ngāwari ake mā ngā kaipupuri whare ina pupū ake he raruraru, ā, me te whakarongoā i te raruraru.

He mahi tuatini te whakamahere me te whakatinana i te Ture hou, me ngā kaupapahere me ngā tukanga taunaki, otirā he maha ngā kiripānga. Kei te hiahia mātau ki te tūtohu ki te nui o te whakapeto ngoi i tū wawe ai tēnei Ture, tae atu ki te ahumahi rīanga tūmataiti; me mihi ka tika.

Te tautoko i ngā kaipupuri whare i muri i ngā pūmate ā-taiao

Ko te whakamātautau nui o te kairīanga ko tana pai ki te āwhina i ana kiritaki ki te whakaora ake i muri o te aituā, arā, tētahi aituā māori. I tēnei tau i whiwhi mātou i ngā kerēme hou e 2500, otirā he haurua noa o ngā kerēme ka matapaetia ana mō te tau kāore he pūmate nui. Ko te nuinga o ēnei kerēme i whakahaeretia mā te Taurira Urupare ki te Aituā Māori (NDRM), arā he taurira ka whakarato i tētahi wāhi kotahi hei wāhi tuku me te whakahaere kerēme mā ngā kaipupuri whare e pā ana ki te EQCover, tae atu ki ngā rīanga a tō rātou kairīanga tūmataiti.

Nā te āhua ngū o te tau kerēme nei i āhei ai mātou ko ngā kairīanga NDRM te whakaterere i te mahi whakaora nā ngā pānga o ngā Aituā Huarere o Te Ika-a-Māui i te 2023. E tūtohu ana mātou ki te uaua o tēnei tau ka hori ki ētahi o ngā kaipupuri whare i pā kinotia e ngā waipuke o te wā whakangā i te huringa tau o Tāmaki i te Hānuere 2023, me ngā pānga kino hoki o Huripari Gabrielle i Te Matau-a-Māui, i Te Tairāwhiti me ētahi atu wāhi i te Pēpuere 2023.

Ahakoia i harikoa mātou ki te kokenga pakari ki te whakatau i nga kerēme mai i ēnei aituā, ko tā ngā Aituā Huarere o Te Ika-a-Māui i miramira ake, ko te korenga o te aroā ki te nui o te rīanga ā-whenua ka tau ki raro i te Ture EQC. He nui te wā ko te nui o te whenua kei raro i te kaupapa rīanga, he wāhanga noa o te tāpaetanga ki te utu ahuhānui ki te whakarongoā i te tūkinotanga ā-whenua. Ko te hua o tērā, kāore i tutuki i a mātou ngā whāinga kaupae o te māha o ngā kaipupuri whare ki ō rātou wheako tuku kerēme. Kua tīmata kē ngā mahi ki te whakatau i ngā take tūāpapa, tae atu ki te whakarato mōhiohio he aha i roa ake ai ētahi kerēme whenua ki te whakatau i tērā i matapaetia, ā, he aha i kore ai e eke te nui o te rīanga ka whiwhi te kaipupuri whare hei whakaea i te utu katoa o te whakatikatika.

Heoi, ka haere tonu ngā mahi ki te whakaiti haere i te nui o ngā kerēme kua whakatuwherahia anō, e pā ana ki te Raupapatanga Rū Whenua o Waitaha.

Te whakarite i te toitūtanga ā-ahumoni o te kaupapa rīanga aituā māori


Ko tētahi herenga hou o te Ture NHI ko te hanganga o te Tauākī Whakahaere Tahua me te Tūraru (FRMS), i ia rima tau, otirā ka whai wāhi te NHC Toka Tū Ake ki tōna whanaketanga, tae atu ki ngā matapae ā-tahua ki te nui o te pāpātanga utu. He mea whakaputa te FRMS tuatahi e te Minita, me te whakatinanatanga o te Ture i te 1 o Hūrae 2024.

Ko te kitenga tuatahi mai i te FRMS tuatahi, nā runga i ngā matapae ā-tahua, kāore i rawaka te pāpātanga utu ki te whakaea i ngā utu tauroa o te kaupapa rīanga aituā māori. Nā reira kua tonono te Minita Tuarua o te Tahua Pūtea kia arotakea te taiao ahumoni o te kaupapa nei, otirā e pōhiritia ana e mātou tēnei.

I te taha o ngā mahi ki te tautoko i te FRMS, i whiwhi mātou i te kaupae rekoata nui o te tōaitanga o te rīanga mō te kaupapa i tēnei tau, otirā he \$9 piriona, ko te hua o tēnei ka whakaiti i te ripanga kaute whakamutunga o te tūraru ki te Karauna.



Chris Black
Upoko Poari



Ruth Dyson
Upoko Tuarua o te Poari

Ko tētahi atu take nui mai i te tirohanga ahumoni, i harikoa te Poari i noho ngā whakapaunga ā-whakahaere ki raro o te kaupae mahere pūtea mō te tau, nā te pai o ngā mahi tiaki pūtea me te whakahaere i ngā utu, otirā e whakahī ana a NHC Toka Tū Ake ki tēnei hei rōpū whakahaere, otirā koinei hoki te kawatau taketake.

Ngā Maioha

Kei te harikoa te Poari ki te whakaatu i te pūrongo ā-tau whakamutunga a te Toka Tū Ake EQC o mua, mō te mutunga tau 30 o Hune 2024. Ina whānui te titiro, kei te harikoa mātou ki ngā hua me ngā whakatutukitanga o te tau nei, tae atu ki te urupare ki ngā herenga a ngā kāwanatanga e rua.

I te roanga o te tau, i poroakitia e te Poari a Alister James, i tāoki i te mutunga o tana huringa wā i te 30 o Āperira 2024. Ka mihi mātou ki a Alister mō āna mahi mana whakahere whaihua, whaitake hoki hei mema Poari.

Ka whakahuahua hoki mātou i ngā mahi whakapeto ngoi a tō mātou Tumu Whakarae a Tina Mitchell, me tana Kāhui Whakahaere, tatū noa ki ā mātou kaimahi katoa. Kāore he tau i rite ki tēnei, otirā he rangatira ngā whakahaere a ngā kaimahi, hei painga mō ngā kaupupuri whare me te whakahaere hoki. Tēnei te reo o mihi.

From the Chief Executive – Mai i te Tumu Whakarae

Let us stand strong,
together as one, for we are
Toka Tū Ake.

Kia tū tonu, kia tū kotahi, ko
te Toka Tū Ake.

**Tēnā koutou katoa i roto i ngā tini
āhukatanga o te wā**

**Greetings to all, notwithstanding the
myriad issues affecting us today**

Kia tōaitia ngā kōrero ka ahu mai i ngā hāpori katoa i wheako i te pānga o tētahi aituā māori, ko te urupare me te tautoko tuatahi, he whaihua, he kanohi kitea hoki. Engari, he roa te tukanga whakaora, he uaua, otirā ka pau ngā marama, otirā ngā tau. I konei ka kitea te kōkiritanga o te uruparetanga me te manawaroatanga o ngā hāpori.

Atu i te hiku o te Hānuere 2023, kua tata tā mātou mahi ki ngā kairianga i pā kinotia e ngā Waipuke o Tāmaki Makaurau me Huripari Gabrielle ki te āwhina i a rātou ki te whakaora ake i muri o ngā aituā kino nei, me te urungi haere i te urupare ā-rianga, ngā tukanga kaunihera me ngā tūmomo āwhinatanga maha. Nā ēnei, i tahuri ngā kaupupuri whare ki te whakapiki i ō rātou pūkenga ki ngā momo tukanga maha kāore pea i kitea e rātou i mua, otirā kāore i wheakotia i te wā kotahi.

He mahi uaua te whakaora ake i muri mai i tētahi aituā māori, otirā kei konei mātou ki te āwhina, hei te roanga o te hīkoi rā.

Ka whakarite hoki tā mātou anga rautaki kei konei mātou ki te āwhina i a Aotearoa ki te whakarite mō ngā aituā māori i mua o te pānga, me te urupare ki aua mea i te pānga. I tēnei tau, i mahi tahi mātou puta noa i ngā pou rautaki maha ki te kawe me te whakapai ake i te mahinga o te kaupapa mā Aotearoa, me te urupare hoki i ngā hiahia o ngā kāwanatanga e rua.

Ko ētahi o ngā āhukatanga matua o ngā mahi i whakaaturia i tēnei pūrongo ko: ngā mahi me ngā kairianga ki te kawe i te kaupapa mā Aotearoa; te whakataunga haere i ngā kerēme a Waitaha; te whakarite i ngā kaupae rekoata nui o ngā mahi rianga; me te whakarewanga, me te whanaketanga o te Tomokanga Aituā Māori, tae atu ki te hōtaka mahi manawaroatanga whānui.

Ka mahi tahi mātou me ngā kairianga i raro i te Tauira Urupare Aituā Māori (NDRM) kia pai ai te whai wāhi a ngā kaupupuri whare ki tētahi rōpū kotahi (te kairianga) mō ngā kerēme rianga katoa i hua ake i ngā tūkinotanga mai i ngā aituā māori. I ngā marama 12 ka hori, i aro ngā mahi ki te tautohu i ngā huarahi hei whakapai ake i te urupare a te kaupapa ki ngā pūmate huarere kino, pēnei i ngā āwhā i te rohe o Whakatū/Wairau i te Ākuhata 2022, me te Ika-a-Māui i te Hānuere me te Pēpuere 2023. Kei te mōhio mātou ka maha kē atu pea te pānga o ngā āwhā pēnei, ka kino ake hoki, otirā i kitea tēnei āhukatanga huri noa i te ao.

I te whakatinana hoki mātou i ngā whakahoutanga hou mai i ngā arotakenga ki ngā rū whenua o Waitaha. Ko te ture e noho ana hei tūāpapa mō te kaupapa, i arotakea i te 2023, ā, koinei tā mātou mahi he whakatinana i te Ture Natural Hazards Insurance Act kia rite ai mātou ina mana te ture ā te 1 o Hūrae 2024. Ka whakapūahoaho te Ture hou i ngā āhuatanga o te rīanga, me te tuku tautoko pai ake mā ngā kaupupuri whare, tae atu ki te whakatau i ngā tohenga.

Kua whakapau kaha ā mātou kaimahi i ngā marama 12 nei, otirā e poho kererū ana ahau ki ā rātou mahi me te manawa ū ki te whakatutuki i ngā hua o tēnei tau. Nā te mahi ngātahi ki ngā kairīanga, i tutuki i a mātou ngā whāinga angawā i tau hei whai mā mātou. Kei te mōhio mātou tērā ētahi āhuatanga waiwai hei whakapai haere mā mātou - pēnei i te māha ā-kiritaki - otirā ka ū tonu te aro ki tēnei kaupapa i muri nei.

E kore e taea tēnei mahi ki te kore mātou i mahi tahi ki ngā Kairīanga NDRM me ngā kiripānga huhua ki te whakatutuki i ngā putanga pai mā Aotearoa. Ka mihi au ki a rātou katoa mō tēnei rangapūtanga me te tautoko.

I a mātou e whakakapi haere ana i te tau o tēnei pūrongo, kei te anga whakamua tonu mātou. Nā te whakamanatanga o tēnei Ture hou, me te Tauākī Whāinga hou, te anga rautaki hou hoki, e pai ana te noho ki te kawē i ā mātou mahi ki te whakaiti i te pānga o ngā aituā māori ki te tangata, te whenua me te hapori.

Kei roto i tō mātou anga rautaki te aronga nui ki te manawaroatanga me te whakarite kia māraakerake ake te kite i ngā matea o ngā kaupupuri whare me ngā hapori. Ka whakanui hoki i te uara o ā mātou kaimahi, me te whakamana i ngā mahi, pēnei i te taha pūtaiao me ngā raraunga e haumitia nei e mātou, me te toha anō, otirā he waiwai ēnei ki te kawenga mahi, mā ngā kaupupuri whare e whai kerēme ana, me te hunga e noho mōrearea ana ki ngā tūkinō aituā māori i muri nei.

I tēnei tau, he nui te whakapau kaha ki te whakatipu i te whakahaere whaihua, urupare hoki, mā roto i tō mātou Tomokanga auaha me te kōkiri haere i tō mātou rautaki ā-raraunga, ā-matihiko hoki. Ka ū tonu mātou ki tēnei kawenga nui, hei whakarite i te whiwhinga o tētahi kaupapa rīanga tūmatanui toa o te ao, e whai hua ai a Aotearoa.

Noho ora mai.



Tina Mitchell

Tumu Whakarae

At a glance – overview of 2023/24

We implemented the Natural Hazards Insurance Act 2023. This included making operational changes, alongside our NDRM Insurers, to be sure we can manage claims under both the NHI Act and EQC Act. We also implemented new obligations to ensure homeowners have a good experience when making a claim and processes to use if they do not, changed our name, and supported the development of the first Funding and Risk Management Statement.

Resolving claims from the 2023 North Island Weather Events continued to be a high priority. Despite the challenges inherent in the high number of claims involving land, we exceeded our timeliness measures for the North Island Weather Events and 4000 other claims for natural hazard events between January and December 2023. Private insurers managed the vast majority of these new claims on our behalf.

We continued to support Canterbury homeowners to achieve lasting resolution of earthquake damage from 2010 to 2012. Resolving remaining claims for damage from the Canterbury earthquake sequence remains a priority for NHC Toka Tū Ake. These claims often involve previously undiscovered damage. Despite these challenges, we reduced the balance of open claims by 21% through putting homeowners at the heart of our work and focusing on creating a positive claims experience for them.

We continued to administer the Crown's On-sold programme for eligible Canterbury homeowners. 241 rebuilds and repairs were completed under the programme in 2023/24. We maintained our focus on supporting remaining homeowners to reach a settlement under the programme and start their reinstatement works, following previous years' disruptions caused by COVID-19 and pressures on contractors and materials. We settled a further 161 applications in 2023/24, which was meaningful progress towards presenting settlement offers to all remaining applicants.

Our Natural Hazards Portal has been visited by over 49,300 unique users in its first year. By giving New Zealanders national, regional and property-level information about potential natural hazard risks, including previous settled claims, the Portal is helping to empower them to make informed decisions on reducing the effects of those risks.

We secured a record level of reinsurance of \$9.2 billion from 1 June 2024 – close to a \$1 billion increase from last year’s total reinsurance – to help protect New Zealand homeowners from the effects of natural hazards. This continued growth of the reinsurance programme demonstrates the confidence the international market has in our national insurance scheme.

Over the year, we invested \$10.5 million in research grants and sponsorships, including funding for more than 23 new research projects and programmes.¹ Research we have funded that is being used to improve New Zealand’s resilience to natural hazards includes improved methods for assessing liquefaction, development of a framework to support council staff to engage with their communities on natural hazards and climate risk, and exploring cutting-edge technologies that could help prepare us for future hazards.

We delivered a broad range of public education initiatives and extended our valuable partnership with Plunket. Our public education work included the East Coast LAB community roadshow that visited 10 locations to educate on the risks posed by a Hikurangi Subduction Zone earthquake and tsunami, plus successful social media and marketing campaigns.

We continue our journey towards being a data-enabled organisation, not just a data-informed one. Our focus this year has been on establishing a data-quality framework and maturing our information management and cybersecurity practices.

We reduced the balance of open Canterbury claims by
21%

With the On-sold programme,
241
rebuilt and repairs were completed

The Natural Hazards Portal was visited by over **49,300** unique users in its first year

Over the year, we invested **\$10.5 million** in research grants and sponsorships

We have secured a record level of reinsurance of **\$9.2 billion** from 1 June 2024

At a glance – financial overview

In 2023/24, we received funding from the following sources.

Premium income

This comes from insured homeowners and is paid to us through private insurers.

\$853 million

Reinsurance claims

The amount we received in reinsurance payments was:

\$55 million

Investment income

The amount we received in investment income was:

\$20 million

In 2023/24, we paid out funding to the following.

Claims

Cash paid on claim settlements and handling costs throughout the year was:

\$516 million

Reinsurance

The cost of buying reinsurance was:

\$414 million

Crown guarantee fee

Payment to the Crown was:

\$10 million

Operating expenses incurred

Covering the costs of delivering our four strategic priority areas (Recovery, Resilience, Risk financing and Readiness) and other operating expenses was:

\$92 million

Who we are and what we do

Role and purpose

Our governing legislation and name have changed from 1 July 2024

We are governed by legislation, which from 1 July 2024 is the Natural Hazards Insurance Act 2023 (NHI Act). At the same time, we became the Natural Hazards Commission Toka Tū Ake. Before this, and for the 2023/24 year (the period of this annual report), we were governed by the Earthquake Commission Act 1993 (EQC Act), and our organisation was known as the Earthquake Commission (EQC).

While this annual report covers the 2023/24 year, and reports against our functions under the EQC Act, we refer to ourselves by our new name of Natural Hazards Commission Toka Tū Ake, and to natural hazards, throughout this report.

Our organisational functions remain largely the same under both the EQC Act and the NHI Act

Our functions under the EQC Act include:

- providing natural hazard insurance for residential property (dwellings and some coverage of land)
- administering the Natural Disaster Fund, including its investments and reinsurance
- funding research and education on natural hazards and ways of reducing their impact

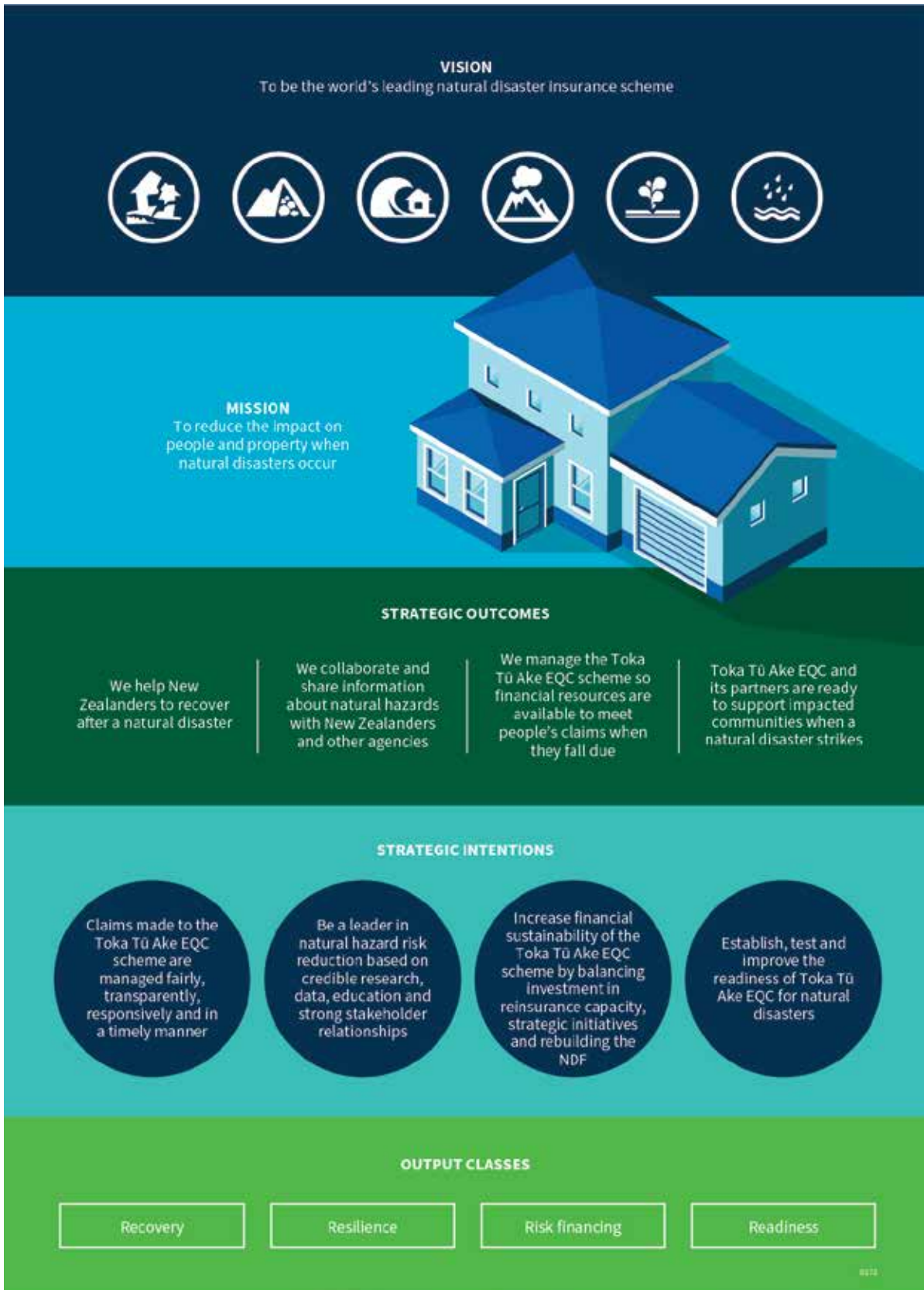
- undertaking additional functions specified in legislation or conferred by our Minister.

These functions remain largely the same under the NHI Act, though there are some differences and clarifications in the new Act. These differences include:

- explicitly stating our role in ensuring New Zealand's resilience to natural hazards
- clarifying building and land cover
- changing cover for retaining walls, bridges and culverts
- clarifying the rules for mixed-use buildings
- simplifying excesses for claims
- changes to the use of the Natural Hazard Fund, including specifying what is payable out of the fund
- improving financial transparency and governance through a Funding and Risk Management Statement
- an enhanced claims management process, including:
 - a new Code of Insured Persons' Rights that sets out the rights of insured people to have their claims progressed in a fair and timely way
 - an independent review procedure to support the new Code
 - a new dispute resolution service.

Our strategic framework for 2023/24

This report describes our performance for the 2023/24 financial year against the measures in the four output classes contained in our *Statement of Performance Expectations 2023-2024* and the strategic framework shown below.



Our new strategic framework

Our new strategic direction is set out in our *Statement of Intent 2024-2028*. We have updated our strategic framework for this period in line with the new Natural Hazards Insurance Act 2023 and our greater focus on resilience and putting homeowners and communities at the forefront of our strategy. It also recognises the value of our people and the other enabling functions of communication, expertise, data and technology, and relationships, which are the foundations of our success.

Our updated vision is to be a world-class public insurance scheme that reduces the impact of natural hazards on people, property and the community.

Alongside our Statement of Intent, our *Statement of Performance Expectations 2024-2025* establishes the priorities for the 2024/25 financial year and measures to assess our performance. These measures are grouped under four output classes, which have been reordered from our previous Statement of Intent to reflect the chronology of our work:

- Resilience
- Readiness
- Risk financing
- Recovery

By using a consistent strategic framework over time, we can track how these output classes support us to achieve our strategic intentions and outcomes and, ultimately, deliver on our vision.



Personally, I think they were very good. They were very efficient and they were quick and on the mark. Everything was put in place straight away virtually, we didn't have to hang around. I didn't feel nervous speaking to them, I didn't feel intimidated.

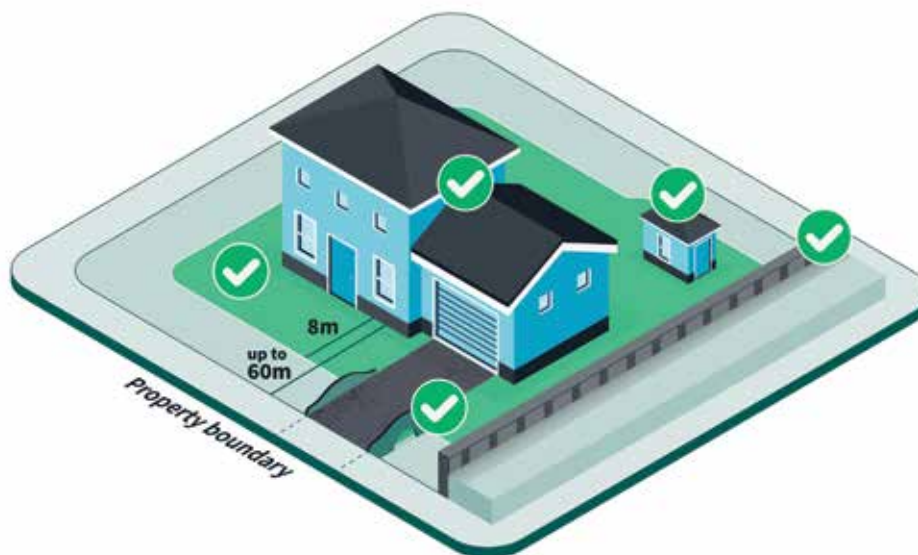
Patricia, Manawatū-Whanganui homeowner

What our Natural Hazards Insurance scheme covers for homeowners

Our Natural Hazards Cover

Everyone with private home insurance with fire cover automatically pays the Natural Hazards Insurance levy and has access to Natural Hazards Cover (NHCover).² This gives the first layer of insurance cover up to the maximum amount set out in our legislation for loss or damage to insured homes from earthquakes, landslides, volcanic and hydrothermal activity, tsunami, and fire caused by these natural hazards.

We also provide limited cover for land damage from these hazards, as well as storms and floods. Homeowners are covered for the land under and up to 8 metres around their home, related buildings and structures, and under the main access way up to 60 metres from their home. They are also covered for some retaining walls, bridges and culverts to a limit. We cover the cost of repairing damage up to the land cover cap, which is generally based on the value of the insured, damaged land. The diagram below summarises the land and structures we cover for natural hazard events.



Making claims for damage from natural hazard events

Under our claims model, homeowners lodge a claim for NHCover directly through their private insurer, so they have a central point of contact. This is to make it as easy as possible for homeowners when they are recovering from a natural hazard event.

The private insurer provides homeowners with residential dwelling cover above the NHCover cap as set out in their policy document. Whether damage is to the homeowner's building, land or both, and regardless of whether the cost is likely to be below or above the NHCover cap, homeowners should contact their private insurers to make an NHCover claim.

² Our insurance product under the EQC Act for claims for loss on or before 30 June 2024 is still called EQCover.

For more information on NHCover, visit www.knowyourcover.co.nz

Working to improve understanding of natural hazard risk

Our work is not just about providing insurance cover for natural hazard events. We also have a mandate to improve homeowners' understanding and awareness of the risks they may face from natural hazards when they rent or buy a home.

Through funding and communicating the results of natural hazards research, our public education programmes, and providing tools such as the Natural Hazards Portal, we help ensure homeowners and buyers are empowered to make informed decisions.

“

I felt the process was very straight forward, I was kept informed regularly. I know it took longer than usual, as half our country was claiming at once. I felt like they did a really good job sorting that out for me.

Bronwyn, Gisborne homeowner



Implementing the Natural Hazards Insurance Act 2023

Our new governing legislation, the Natural Hazards Insurance Act 2023 (NHI Act) came into effect on 1 July 2024, replacing the Earthquake Commission Act 1993. It is a major milestone in updating and modernising the Natural Hazards Insurance scheme. The scheme has been in place for nearly 80 years, providing the first layer of residential land and building insurance cover for a range of natural hazards. The NHI Act incorporates recommendations from the Public Inquiry into EQC and reflects lessons learned from the experience of Canterbury homeowners to enhance the future durability and flexibility of the legislation.

Our new name Natural Hazards Commission Toka Tū Ake now properly reflects the broad range of hazards we cover, which has been more than just earthquakes for much of our history, and better represents the role our insurance scheme plays in supporting New Zealanders before and after a natural hazard event.

We have undertaken significant work to implement the NHI Act and are still working hard

We undertook a significant programme of work before the NHI Act came into effect on 1 July 2024 to ensure we were ready with our NDRM Insurers to implement it. We focused our implementation activities in the following areas.

- **Insurance cover and claims management.** Activities included renegotiating the Natural Disaster Response Agreement that underpins the model, updating all claims management manuals and guides, and training our and NDRM Insurers' staff. This included delivering operational changes to ensure claims can be managed under both the NHI Act and EQC Act (claims for loss on or before 30 June 2024) from 1 July 2024.
- **New homeowner experience requirements,** such as having a Code of Insured Persons' Rights published and promoted, being a member of an approved dispute resolution scheme which includes having all operational arrangements in place with the service provider Fair Way, and having an independent review of the Code complaints procedure.

- **Changes related to regulations, and to our organisational governance and name.** This included ensuring all homeowner-facing material (ours and NDRM Insurers'), our website and external-facing documents provide accessible information on the Natural Hazards Insurance scheme to the public and reflect our new name, and regulations are in place on technical matters and financial settings (this work is led by the Treasury).
- **Finance, risk and assurance changes.** This area covered changes to our financial reporting and making payments out of the Natural Hazards Fund, as well as supporting the Minister to finalise and publish the first Funding and Risk Management Statement. Changes to financial reporting will apply to the next financial year's reporting.

We will continue our efforts to transition to the NHI Act, including support for homeowners, in the 2024/25 financial year.





Statement of performance

Ngā take nui me ā mātau
whakatutukitanga

Our areas of focus and what we have achieved

This section provides our performance results for the 2023/24 financial year. Our results are categorised into the four outputs we deliver for New Zealanders: recovery, resilience, risk financing, and readiness. These have been reordered and reframed in our new strategic framework but are presented here as they appear in our *Statement of Performance Expectations 2023-2024*.

Our performance highlights are as follows.

Recovery: resolving claims from the 2023 North Island Weather Events, continuing to resolve claims resulting from the Canterbury earthquake sequence in 2010-2011, and administering the Crown's On-sold programme.

- On average, we resolved **276 claims** each month and reopened **263 claims** from the Canterbury earthquake sequence. This resulted in open claims reducing by **21%** over the year.
- While homeowners opened more claims with Southern Response Earthquake Services than predicted, we settled more claims than projected and exceeded our timeliness measure.
- We completed **241 rebuilds and repairs** under the On-sold programme.

- We focused on resolving over **8000 claims** from the 2023 North Island Weather Events alongside **4000 claims** from other natural hazard events between January and December 2023 and exceeded our timeliness measures.
- We know we still have work to do to achieve our customer satisfaction measures.

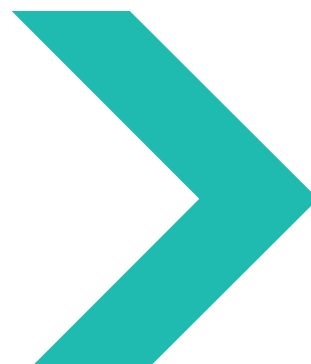
Targets achieved in 2023/24: 19/27

Targets achieved in 2022/23: 14/22



They were very good. They explained everything to me, as I have never had a claim like that, so they were good at explaining everything that had to be done.

North Island Weather Events claimant





Resilience: investing in scientific research, data, loss modelling and public education to inform and enable choices and decisions that reduce the vulnerability and exposure of New Zealanders to natural hazards.

- Our Natural Hazards Portal has had over **49,300 unique users** since its launch in July 2023 and continues to give current and prospective homeowners information about natural hazard risks from the national down to the property level.
- Our support for public education activities continued to reach communities across the country, helping to improve public understanding and awareness of natural hazard risks. This included enabling the East Coast LAB community roadshow to visit 10 locations to educate on the risks posed by a Hikurangi Subduction Zone earthquake and tsunami.
- We invested **\$10.5 million** in research grants and sponsorships, including funding for over **23 new research projects and programmes** that will help us better understand and manage natural hazard risks.
- Our transformation of science and data into useful and useable material and resources resulted in the publication of the Risk Tolerance Methodology to support stakeholders to understand risks, how they change, and our tolerances for managing them.
- We funded and supported the development of a National Tsunami Hazard Model and a National Liquefaction Model, current gaps in New Zealand’s knowledge.

Targets achieved in 2023/24: 10/11

Targets achieved in 2022/23: 9/12



Risk financing: managing the Natural Hazards Insurance scheme so financial resources are available to resolve homeowners' claims when they fall due.

- We supported the Treasury to develop the first Funding and Risk Management Statement required under the NHI Act and published on 1 July 2024. It estimates the cost of providing natural hazards cover and projects the amount in the Natural Hazard Fund for the 5 years to 30 June 2029.
- We secured a record level of reinsurance of **\$9.2 billion** from 1 June 2024 to protect New Zealand homeowners from the impact of natural hazards.

Targets achieved in 2023/24: 5/5

Targets achieved in 2022/23: 6/6

Readiness: maximising the effectiveness of our claims model and supporting community preparedness for the range of natural hazard events covered under our legislation.

- We commissioned an independent review of the claims model's response to the 2023 North Island Weather Events to ensure we identified all the material lessons that could be learnt.
- All our NDRM Insurers provided us with written confirmation that they have surge plans to respond to a natural hazard event with up to **100,000 homeowner claims**.

Targets achieved in 2023/24: 4/4

Targets achieved in 2022/23: 3/4

How we performed – Recovery

What we sought to achieve

Our strategic outcome for Recovery is to help New Zealanders recover after a natural hazard event occurs. We focus on ensuring homeowners' claims are managed fairly, transparently, responsively and in a timely manner by complying with our Customer Code that sets out how homeowners can expect to be treated during the claims process. This has been replaced and built on by the new Code of Insured Persons' Rights under the Natural Hazards Insurance Act 2023 from 1 July 2024.

We measure our achievement of this outcome by monitoring the timeliness of resolving claims, homeowner feedback on their claim experience, and the proportion of recently settled claims that are reopened.

Our performance for the Recovery output class

This year's results are in the tables below.

Output 1.1 is specifically focused on serving homeowners with claims from the 2010-2011 Canterbury earthquake sequence, including claims we are managing on behalf of Southern Response. The measures address both the timeliness and homeowner focus of the claims management services.

All but one of the measures in this output class are a continuation from the 2022/23 financial year.

The number of claims from the Canterbury events is gradually reducing as less new damage is discovered. Timeliness measures for Canterbury claims have been re-evaluated in our 2024/25 Statement of Performance Expectations to reflect the fewer claims and the different treatments required for them.

The threshold for homeowner satisfaction is lower for Canterbury claims than it is for other claims, in part reflecting past processes that have now changed. For this reason, most of our homeowner focus measures look at a homeowner's recent experience to test the effectiveness of our continuous improvement initiatives.



● Achieved ● Not Achieved

Settlement of 2010-2011 Canterbury earthquake sequence remedial claims (Output 1.1)

Performance measures	2022/23 performance	2023/24 target	2023/24 performance as at 30 June 2024
Timeliness			
Outstanding claims over 6 months old, on hand at 30 June 2023, are settled by 30 June 2024	81%	85%	● 86%
New claims opened or reopened between 1 January 2023 ³ and 31 December 2023 are settled within 6 months ⁴	89%	85%	● 83%
The on-sold ex gratia package is administered in accordance with the On-Sold Canterbury Properties Services Agreement ⁵	100%	100%	● 100%
Claims managed on behalf of Southern Response are managed in accordance with the Agreement Relating to Management of Outstanding Canterbury Claims between NHC Toka Tū Ake and Southern Response ⁶	100%	100%	● 100%
New Southern Response claims opened or reopened between 1 January 2023 and 31 December 2023 are settled within 6 months	New measure	60%	● 75%

3 The open claim has been settled (closed) from the perspective of NHC Toka Tū Ake. An open claim may be classified as settled when the homeowner has been asked to provide further information related to their claim (over a period) and that has not occurred. This approach is consistent with that taken by private insurers. To count as reopened, NHC Toka Tū Ake needs to have triaged the request and accepted the possibility of further activity being required.

4 Does not include claims in litigation.

5 This agreement between the Crown and NHC Toka Tū Ake records the terms and conditions on which NHC Toka Tū Ake administers the government policy that allows homeowners of on-sold over-cap properties in Canterbury to receive an ex-gratia payment from the Crown towards the cost of having their homes repaired.

6 This outlines the agency mandate, terms and principles for NHC Toka Tū Ake settling claims as an agent for Southern Response.

Performance measures	2022/23 performance	2023/24 target	2023/24 performance as at 30 June 2024
Homeowner focus			
Surveyed homeowners are satisfied with their overall claims experience	78%	>60%	● 71%
Surveyed homeowners agree or agree strongly that NHC Toka Tū Ake:			
• was easy to interact with during their claim	New measure	>70%	● 88%
• was responsive to their individual needs and situation during their recent claim experience	78%	>70%	● 87%
• provided clear and concise communication, and homeowners were clear on next steps for their claim	76%	>70%	● 85%
• acted as experts with the skills, knowledge and desire to help them	77%	>70%	● 83%
Timeliness of complaints resolution: complaints are resolved in 2 months	91%	95%	● 100%
NHC Toka Tū Ake settlements should be enduring: percentage of settled claims reopened within 6 months ⁷	1%	≤5%	● 5%

⁷ This does not include claims reopened for administrative purposes, such as for making a payment or for an inquiry from a private insurer.

Claims relating to natural hazard events (excluding Canterbury and North Island Weather Events of January and February 2023) (Output 1.2)

Performance measures	2022/23 performance	2023/24 target	2023/24 performance as at 30 June 2024
Timeliness			
Claims lodged between 1 January 2023 and 31 December 2023 are settled within 6 months	62%	≥70%	● 75%
Homeowner focus			
Surveyed homeowners are satisfied with their overall claims experience	64%	≥60%	● 52%
Surveyed homeowners agreed NHC Toka Tū Ake (or its partner):			
<ul style="list-style-type: none"> was easy to interact with during their claim 	New measure	>70%	● 71%
<ul style="list-style-type: none"> provided clear and concise communication and homeowners were clear on next steps for their claim 	68%	>70%	● 65%
<ul style="list-style-type: none"> acted as experts with the skills, knowledge and desire to help them 	73%	>70%	● 68%
New measure			
Complaints are resolved within 2 months or within such longer period as the complainant and private insurer agree	92%	90%	● 96%
NHC Toka Tū Ake settlements should be enduring: percentage of settled claims reopened within 6 months	1%	≤5%	● 1%
Quantity			
The ratio of claims handling expense to settlement cost for the period is less than the ratio set by the Board	Achieved	Achieved	● Achieved

Claims relating to North Island Weather Events: January-February 2023 (Output 1.3)

Performance measures	2022/23 performance	2023/24 target	2023/24 performance as at 30 June 2024
Timeliness			
Claims lodged between 1 January 2023 and 30 June 2023 are settled within 12 months	New measure	≥70%	● 78%
Homeowner focus			
Surveyed homeowners are satisfied with their overall claims experience	New measure	≥60%	● 46%
Surveyed homeowners agreed NHC Toka Tū Ake (or its partner):			
• were easy to interact with during their claim	New measure	≥70%	● 64%
• provided clear and concise communication and homeowners were clear on next steps for their claim	New measure	≥70%	● 53%
• acted as experts with the skills, knowledge and desire to help them	New measure	≥70%	● 62%
Complaints are resolved within 2 months or within such longer period as the complainant and private insurer agree	New measure	90%	● 97%
NHC Toka Tū Ake settlements should be enduring: percentage of settled claims reopened within 6 months	New measure	≤5%	● 0.8%



Clear communication, prompt responses and they followed up when they said they will – we were relieved. It helped move things along. We were pleased we didn't have a big argument. It was very reasonable.

North Island Weather Events claimant

How we achieved these results

A continuing focus on Canterbury homeowners

We continue to support homeowners to achieve lasting resolution of damage from the 2010-2011 Canterbury earthquake sequence. We place homeowners at the heart of our work with the goal of providing a positive claims experience.

As 14 years have passed since the September 2010 earthquake, claims can take longer to resolve when we need expert reports to confirm the cause of damage.

Other reopened claims are about damage to underground drainage or previously undiscovered damage revealed during renovations.

Since 2019, we have received a declining number of enquiries from homeowners seeking to reopen a claim for damage caused by the Canterbury earthquake sequence. We expect this reduction to continue.

During 2023/24 we resolved more claims than were reopened each month. On average we resolved 276 claims each month and reopened 263 claims. This resulted in open claims reducing by 21%, from 722 claims on 30 June 2023 to 566 claims on 30 June 2024. These remaining claims related to approximately 0.3% of properties originally affected by the Canterbury earthquake sequence. Of these, 15.6% were more than 12 months old.

We continue to manage homeowners' private insurance Canterbury claims on behalf of Southern Response Earthquake Services Limited. While homeowners opened more Southern Response claims than predicted, we settled more claims than projected and exceeded our timeliness measure.



Focus on resolving claims from the 2023 North Island Weather Events and other natural hazard events

Our response model makes insurance claims as simple as possible for homeowners by giving them a central point of contact throughout the process. Since 30 June 2021, the vast majority of new claims have been managed by NDRM Insurers on our behalf.

During 2023/24, we focused on resolving the large volume of claims from the North Island Weather Events (Auckland flooding in January and Cyclone Gabrielle in February 2023) alongside 4000 claims from other natural hazard events between January and December 2023. We also continued working with insurers to further enhance the model.

Most claims from the North Island Weather Events were for damage to land, with over 95% of claims including a land component. Land damage generally requires more assessment steps than building damage, as it requires different technical experts such as assessors, geotechnical experts and valuers. As resolving these claims may take longer than usual, we created separate measures for these events on timeliness, homeowner satisfaction, and the proportion of claims reopened.

Despite these challenges, we exceeded our timeliness measures for the North Island Weather Events and other natural hazard events. However, we have not met most of our homeowner satisfaction measures.

The main themes from surveyed homeowners were dissatisfaction with the time taken to resolve claims, the clarity of communications about the claims process, and land cover as a product.

We have begun work to reduce the land claim assessment time following future natural hazard events. This includes trialling changes to our land claim assessment processes and investigating alternative ways of using technology and data to assess some types of land damage.

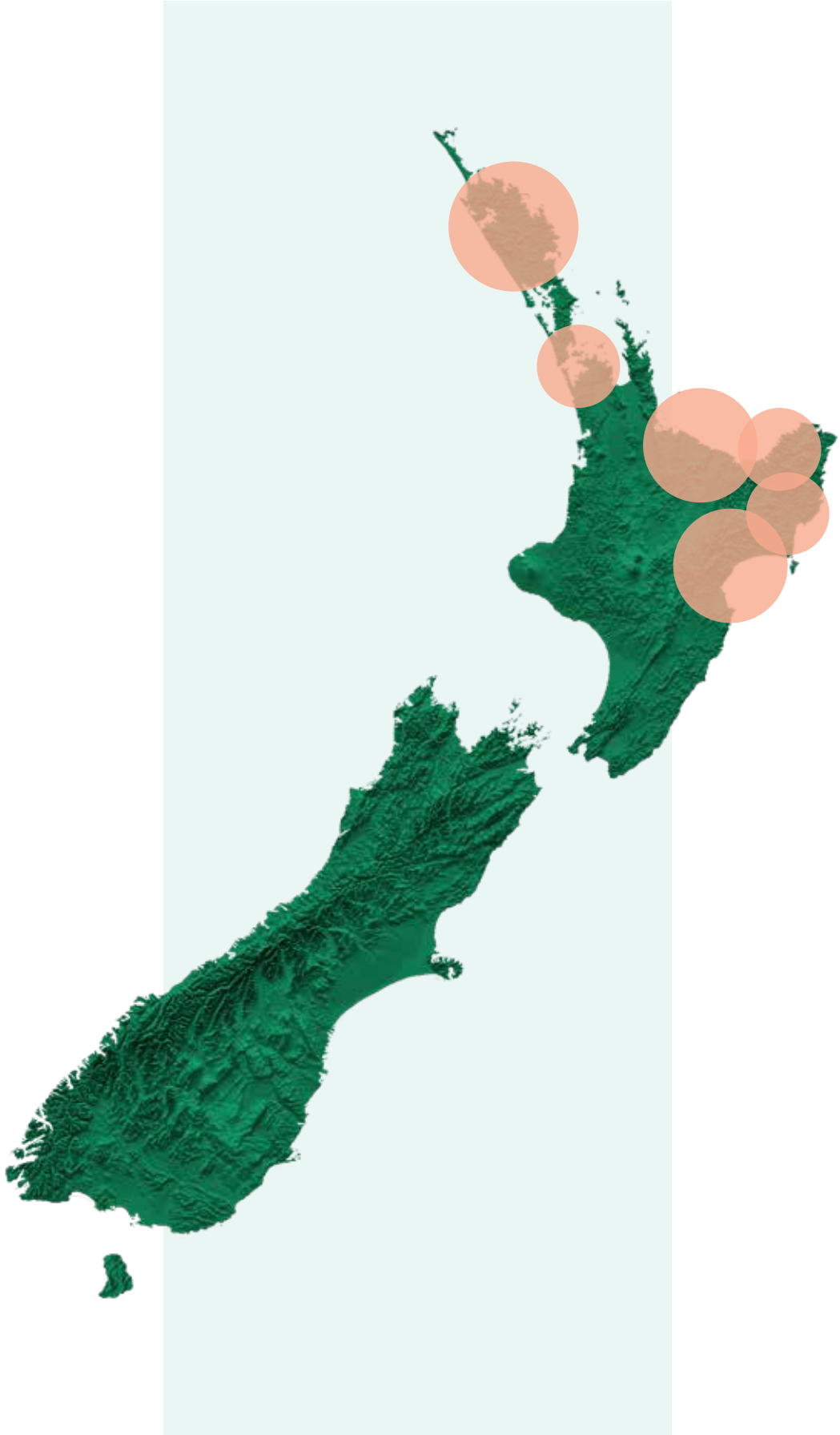
To improve communications concerning land claims, we have developed new materials explaining the extent of land cover and the steps involved in resolving a claim, which have been published on our website.

“

We had an insurance valuer come and cost what it would cost to fix and we have been given less than half of that and I think it will cost more than that a year on. It was a little bit disappointing.

Wayne, Auckland homeowner





How we performed – Resilience

What we sought to achieve

A core strategic outcome for this output class is that we improve the resilience of New Zealanders to natural hazards by collaborating and sharing information about natural hazards with them and other agencies in our sector.

We do this by being a leader in natural hazard risk reduction based on credible research, data, education and strong stakeholder relationships.

Our performance for the Resilience output class

This year’s results are in the tables below.

● Achieved ● Not Achieved

A resilience programme that facilitates improved analysis and public understanding of natural hazard risk (Output 2.1)

Performance measures	2022/23 performance	2023/24 target	2023/24 performance as at 30 June 2024
Quality			
Percentage of stakeholders ⁸ surveyed ⁹ agree or strongly agree that the outputs of the investment by NHC Toka Tū Ake in research are:			
• of good or excellent quality	86%	75%	● 89%
• relevant and focused on the outcomes of the Resilience Strategy	85%	75%	● 82%
Percentage of stakeholders surveyed agree or strongly agree that NHC Toka Tū Ake:			
• is contributing to driving progress in resilience to natural hazards	82%	75%	● 86%
• is an engaged and supportive partner	88%	75%	● 85%

8 Stakeholders include central government, local government, science and research, the insurance industry, and design, planning and construction professionals.

9 Quantitative surveys are undertaken by Research First, an independent organisation.

Performance measures	2022/23 performance	2023/24 target	2023/24 performance as at 30 June 2024
Percentage of the public surveyed ¹⁰ who say:			
<ul style="list-style-type: none"> they thought about potential risks of natural hazards when buying or looking to buy a property 	90%	>75%	● 89%
<ul style="list-style-type: none"> they are aware they can take action to make their homes safer and stronger for hazard events 	69%	>60%	● 70%
<ul style="list-style-type: none"> where possible they have taken action as homeowners on any of the six key preparedness actions¹¹ promoted by NHC Toka Tū Ake¹² 	58%	>55%	● 61%
Number of formal, evidence-based submissions made on relevant (natural hazard risk) policies, plans, or initiatives or local government statutory plans. Reviewer commentary that submissions are: <ul style="list-style-type: none"> of good quality on matters relevant to natural hazard risk reduction 	16	5	● 5

10 Quantitative surveys are undertaken by Nielsen, an independent organisation.

11 The key preparedness actions are: secure tall furniture, secure hot water cylinder, remove or replace hazardous chimneys, secure foundations, know how to turn off mains gas, and know how to turn off mains water.

12 This action measure is calculated by summing the count of people who said 'yes' to each of the six actions, divided by the sum of the count of eligible people who answered for each action (excludes those who said 'not applicable').

Innovating through technology to enhance loss modelling and public understanding of natural hazard risk (Output 2.2)

Performance measures	2022/23 performance	2023/24 target	2023/24 performance as at 30 June 2024
Deliver the following milestones for loss modelling:			
• Implement new earthquake fragility models in PRUE ¹³	Completion rescheduled	Achieved	● Not achieved
• Deliver exposure assessment capability for tsunami (building only) and rainfall induced landslip	New measure	Achieved	● Achieved
A Business Case for Stage 2 of the Natural Hazards Portal is costed and presented to the NHC Toka Tū Ake Board	New measure	Achieved	● Achieved

How we achieved these results

Empowering homeowners

We launched our Natural Hazards Portal in July 2023. The Portal provides current or prospective homeowners with online, easy-to-access local, regional and national information on natural hazards in New Zealand, alongside information on what to do if they live in at-risk areas. The searchable claims map enables people to find whether a specific property has had a settled Natural Hazards Insurance claim, giving them important information about homes they may be looking to buy.

The Portal fulfils a recommendation made by the Public Inquiry into EQC to roll out a nationwide register that provides information on Natural Hazards Insurance

claims specific to residential properties (recommendation 6.1.3). It enables people to see any settled EQCover and NHCover claims from 1997 onwards on properties throughout New Zealand.

The Portal has had more than 49,300 unique users since its launch. Over the last year, it has had an average of 1584 active users a month. The Natural Hazards Portal is just one part of a wider public education programme that aims to support people and communities to understand the natural hazard risks we face.

We support a host of public education activities across the country from the national level right down to schools and early education centres.

13 PRUE is our loss model based on the RiskScape® risk modelling software developed by GNS Science and NIWA.

Our goal is to help grow the next generation of hazard risk-aware New Zealanders through our schools' programme of work, which connects with tamariki and rangatahi right across the country. Our support enables hazard education programmes to be run through museums and local education partners, virtual field trips, and more.

Through the support of local education programmes, we are helping connect communities with the latest science and information on hazards and risks of national importance. Following on from AF8's Alpine Fault roadshow in 2023, early 2024 saw the East Coast LAB community roadshow visit 10 locations to educate on the risks posed by a Hikurangi Subduction Zone earthquake and tsunami. In addition, AF8 and East Coast LAB's 'A Lot on Our Plates' social media campaign connected New Zealanders with scientific expertise and vital preparedness information.

Our public education marketing campaigns continue to connect hazard risk and preparedness information with New Zealanders when they are most likely to act.

With a focus on using assets developed over the past few years, 2023/24 saw our messages delivered to thousands of homebuyers, homeowners, renovators, new parents and locations that had recently experienced earthquakes.

We have extended our partnership with Whānau Āwhina Plunket, ensuring our 'Quake Safety for Young Children' collateral reaches all new parents enrolled with them nationwide.

Additionally, we have piloted a new survey to collect audience feedback on the value of our content and the steps they have taken to make their homes safer and stronger.

By helping people understand their natural hazard risks, we hope to empower individuals, whānau and communities to make informed decisions on how to manage those risks so we can keep our communities safe.

We have met our performance measures for the general public's knowledge, awareness and actions relating to resilience in 2023/24 with 89% of those surveyed saying they thought about potential risks of natural hazards when buying or looking to buy a property. In addition, 70% said they are aware they can personally take action to make their homes safer and stronger for natural hazard events and 61% have taken some action.

Loss modelling

Implementing new earthquake fragility models into our loss model PRUE was not achieved this year as this required more work than we initially anticipated when setting this performance measure. In addition, the effort of some researchers was diverted to support the North Island Weather Events response.

This work forms an important part of our wider loss modelling strategy, which is central to our risk financing work and seeking reinsurance.

Our next focus in this work is receiving and assessing new versions of the earthquake fragility models, which we expect to have by the end of October 2024. Loss modelling needs to be as accurate as possible and improving our loss modelling strategy is an important focus in 2024/25.

Research and data for natural hazard risk management

While insurance is a crucial element for recovering from natural hazard events, it cannot alleviate all the impacts of hazards on individuals, whānau, communities and society. In a country at high risk of natural hazards, it is important our insurance scheme not only helps people recover from damage but also works to reduce the effects of natural hazard events. The NHI Act acknowledges the importance of this work and broadens and strengthens our role in this area.

We invest in science and research to help New Zealanders understand the natural hazard risks they face and provide the vital evidence base that underpins risk and resilience-informed policies and practices. Over the 2023/24 year, we invested \$10.5 million in research grants and sponsorships, including funding for over 23 new research projects and programmes (14 Biennial grants and nine University Research Programme grants) focused on public good research.

Examples of research we have funded that is being actively used to improve New Zealand's resilience to natural hazards includes:

- research into improved methods for assessing liquefaction, which have been incorporated into the Ministry of Business, Innovation and Employment's professional guidelines and will support better identification of liquefaction risks
- development of a framework to support council staff to engage with their communities on natural hazards and climate risk
- investment into exploring new, cutting-edge technologies that could help prepare New Zealand for future hazards, including applying artificial intelligence to locate earthquakes, space satellites to detect landslides, and virtual reality to help communities understand their flood risks.

Detailed information about research funded by NHC Toka Tū Ake is available on our website:

- Projects on the go: **www.naturalhazards.govt.nz/resilience-and-research/research/projects-on-the-go**
- *Resilience and Research Highlights Report 2023*: **www.naturalhazards.govt.nz/our-publications/resilience-and-research-highlights-report**

We have met our performance measures for our research function with 89% of stakeholders surveyed agreeing or strongly agreeing that the outputs of our investment in research are of good or excellent quality, and 82% saying they thought they were relevant and focused on the outcomes of our *Resilience Strategy for Natural Hazard Risk Reduction 2019-2029*.

Sharing knowledge and influencing natural hazard risk management

We aim to inform, enable and influence the choices and decisions that reduce the exposure and vulnerability of New Zealand's built environment to natural hazards.

To do this, we 'translate' science, information and data, transform it into useful and useable material and resources, and aim to share it widely with agencies, stakeholders and the public. An example of this is the *Risk Tolerance Methodology* published in July 2023 that supports stakeholders to understand risks, how they change and our tolerances for managing them.

We engage nationally, regionally and locally with a variety of end users to share knowledge and expertise. This includes presenting at conferences, hosting workshops, writing articles or opinion pieces, supporting the development of professionals, and participating in policy or planning processes that have the potential to increase or decrease natural hazards resilience.

Local government, with their important role in land-use planning and consenting, is a particular area of focus. We review and make formal submissions on some local government district plans and plan changes and, increasingly, we support councils with subject matter expertise in the planning phase, before a plan gets to formal consultation.

We also encourage and contribute to the availability, accessibility and use of risk data and information around the country and support other agencies in building their capacity and capability to understand and use data and models. One example of this is funding and supporting the development of a National Tsunami Hazard Model and a National Liquefaction Model, both of which are current gaps in New Zealand's knowledge for building and planning for a resilient and sustainable future.

We have met our performance measures for driving progress in natural hazards resilience with 86% of stakeholders surveyed saying they thought NHC Toka Tū Ake had contributed to driving progress, and 85% saying they thought we were an engaged and supportive partner in this field.



How we performed – Risk financing

What we sought to achieve

A core strategic outcome for NHC Toka Tū Ake is to manage Natural Hazards Cover (called EQCover before 1 July 2024) so financial resources are available to meet people’s natural hazard insurance claims when they fall due.

We do this through managing the Natural Hazard Fund (its name since

1 July 2024, previously the Natural Disaster Fund or NDF) and through support from international reinsurers.

To increase the financial sustainability of the Natural Hazards Insurance scheme, we balance investment in reinsurance capacity, strategic initiatives and rebuilding the Natural Hazard Fund.

In addition, we work with the Treasury to understand the Crown’s risk appetite. Another important aspect of our work is understanding the future need to call on the Crown guarantee that provides funding for claims after significant events when we cannot.

Our performance for the Risk financing output class

This year’s results are in the tables below.

● Achieved ● Not Achieved

Maintain a reinsurance programme that supports our delivery of affordable residential natural disaster insurance protection (Output 3.1)

Performance measures	2022/23 performance	2023/24 target	2023/24 performance as at 30 June 2024
Quality			
Reinsurance protection for 2024-2025 is obtained on terms that assure continuity of coverage for all perils, at rates that are lower than the Crown’s cost of capital	Achieved	By 1 June 2024	● Achieved
Annual consultation with the Crown on risk appetite occurs prior to purchasing reinsurance for 2024-2025	Achieved	Achieved	● Achieved
An annual review of the risk financing strategy is conducted	Achieved	By 30 June 2024	● Achieved

Managing the NDF (Output 3.2)

Performance measures	2022/23 performance	2023/24 target	2023/24 performance as at 30 June 2024
Quantity			
The level of premiums collected compared to the annual budget	100%	100%	● 100%
The NDF is managed in accordance with directions from the Minister	100%	100%	● 100%

How we achieved these results

A strong risk transfer programme

We buy reinsurance to protect the Natural Hazards Insurance scheme and the Crown’s balance sheet from severe losses. These are likely to flow from larger natural hazard events, such as a significant earthquake, volcanic eruption or tsunami. Following this kind of event, reinsurance will provide additional financial resources to supplement the Natural Hazard Fund. It will reduce the need for Crown funding at a time when the Crown is likely to have significant additional financial commitments to repair infrastructure, such as roads, schools, water and electricity.

We have called on reinsurance twice in the past, after the Canterbury earthquakes in September 2010 and again in February 2011. The total cost of the Canterbury earthquakes will be more than \$12 billion with reinsurance expected to contribute around \$5 billion to the cost of claims.

Reinsurance provides significant protection to the Crown’s financial balance sheet. The annual reinsurance premiums represent a significant proportion of our total revenue. As a result, one of the main goals of the programme is to ensure the financial protection that we secure is cost effective, which we do through measuring the costs of the programme against the Crown’s cost of capital, and within the Crown’s risk appetite.

We secured a record level of reinsurance of \$9.2 billion from 1 June 2024 – close to a \$1 billion increase from last year’s total reinsurance. This includes \$225 million already in place from our first multi-year catastrophe bond placed in May 2023. Catastrophe bonds are reinsurance contracts backed by capital market institutional investors that provide their money upfront into a dedicated fund. We pay an insurance premium for this and if the funds are not needed over the lifetime of the bond, they are returned to investors.

The continued growth of the reinsurance programme demonstrates the confidence the international market has in our national insurance scheme.

We have been well supported by our current reinsurance partners with many substantially increasing the amount of capital they have committed to the programme, alongside offers from new and returning markets. This is a huge vote of confidence in New Zealand and our approach to understanding and managing our natural hazard risks.

A focus on the cost and efficiency of our risk transfer programme

Our reinsurance premiums are the single largest cost for NHC Toka Tū Ake. As a result, we have always had a strong focus on ensuring our risk transfer programme is effective and efficient in transferring financial risk from the scheme to international markets.

We work closely with our reinsurance broker to ensure our programme is placed on appropriate commercial terms, which involves negotiation with global reinsurers. We monitor and measure the efficiency of the programme by comparing the overall cost of the programme with the Crown's cost of capital.

Our role in understanding how the cost of future claims will be met

The Natural Hazards Insurance Act 2023 makes provision for a Funding and Risk Management Statement (FRMS), which is an important part of the financial governance of the Natural Hazards Insurance scheme.

It sets out how the costs and risks of the scheme are shared between the Crown and levy payers.

The Act also introduces requirements for the Government to review the scheme's levy and financial settings (an important financial setting is the building cover cap) and develop an FRMS at least every 5 years.

The FRMS estimates the cost of providing the scheme's natural hazards cover, projects the amount in the Natural Hazard Fund, and sets out information about how the Government has determined the levy and financial settings, including policy considerations. The Treasury leads this work. The first FRMS was released on 1 July 2024 alongside the NHI Act coming into effect.

In 2023/24 we played a major role in developing the first FRMS by providing risk modelling and other advice on the likely cost of providing natural hazard insurance for the next 5 years to 30 June 2029. This cost is influenced by our evolving understanding of the risks we cover, as well as changing costs. The projections in the FRMS also incorporate our work to determine an efficient and effective approach to risk transfer, including our current programme structure, for the first FRMS period, which offers protection in a range of scenarios at a cost of 3 cents per \$100 of cover insured.

The Government sets the amount of the levy in regulations following a recommendation from the Minister responsible for the Natural Hazards Commission. As part of the first FRMS, the Minister has committed to reviewing the levy and financial settings to ensure the scheme can keep delivering peace of mind for New Zealanders.

The current levy has been shown to be inadequate to fund the expected future costs of the Natural Hazards Insurance scheme.

Since the current levy and building cover cap were set in 2021 after a review in 2020:

- the revised National Seismic Hazard Model indicates the likelihood of future earthquake shaking has increased throughout New Zealand
- reinsurance markets have hardened, affecting the premiums we pay
- building costs have increased, affecting the likely cost of future claims.



How we performed – Readiness

What we sought to achieve

Our strategic outcome for Readiness is to ensure we and our NDRM Insurers have the right capability and capacity to support New Zealanders when a natural hazard event strikes.

We do this by identifying opportunities to improve our claims model, collaborating with NDRM Insurers to deliver these improvements, taking part in natural hazard event exercises, and enhancing our technology infrastructure and business continuity planning.

Our performance for the Readiness output class

This year's results are in the table below.

● Achieved ● Not Achieved

Ensuring capacity and readiness for an event (Output 4)

Performance measures	2022/23 performance	2023/24 target	2023/24 performance as at 30 June 2024
Quantity			
Document and present to the Board the lessons learned from the 2023 North Island Weather Events	New measure	Achieved	● Achieved
NDRM Insurers attest they have surge plans to support the NDRM to respond to a natural hazard event with up to 100,000 homeowner claims	New measure	100%	● Achieved
NHC Toka Tū Ake and NDRM Insurers further develop the NDRM's efficiency and effectiveness as a claims model by completing projects in the approved implementation plan	New measure	Achieve >90% of the NDRM development plan's 2023-2024 milestones	● Achieved
New Zealanders have increasing trust and confidence in NHC Toka Tū Ake	94 in Public Sector Reputation Index	Results match or are higher than those in the previous financial year across a range of survey measures	● 94

How we achieved these results

Learning from the 2023 North Island Weather Events

The North Island Weather Events (Auckland flooding in January and Cyclone Gabrielle in February 2023) were the largest natural hazard events since our claims model started in 2021.

We commissioned an independent review of the claims model's response to ensure we identified all lessons from the events. The reviewers engaged with over 60 stakeholders, including the New Zealand Claims Resolution Service and affected local authorities. This helped to capture a diverse range of perspectives and insights. The review recommended actions to improve how the claims model helps New Zealanders recover from natural hazard events.

We will publish the independent review report together with the plan to implement its recommendations later in 2024.

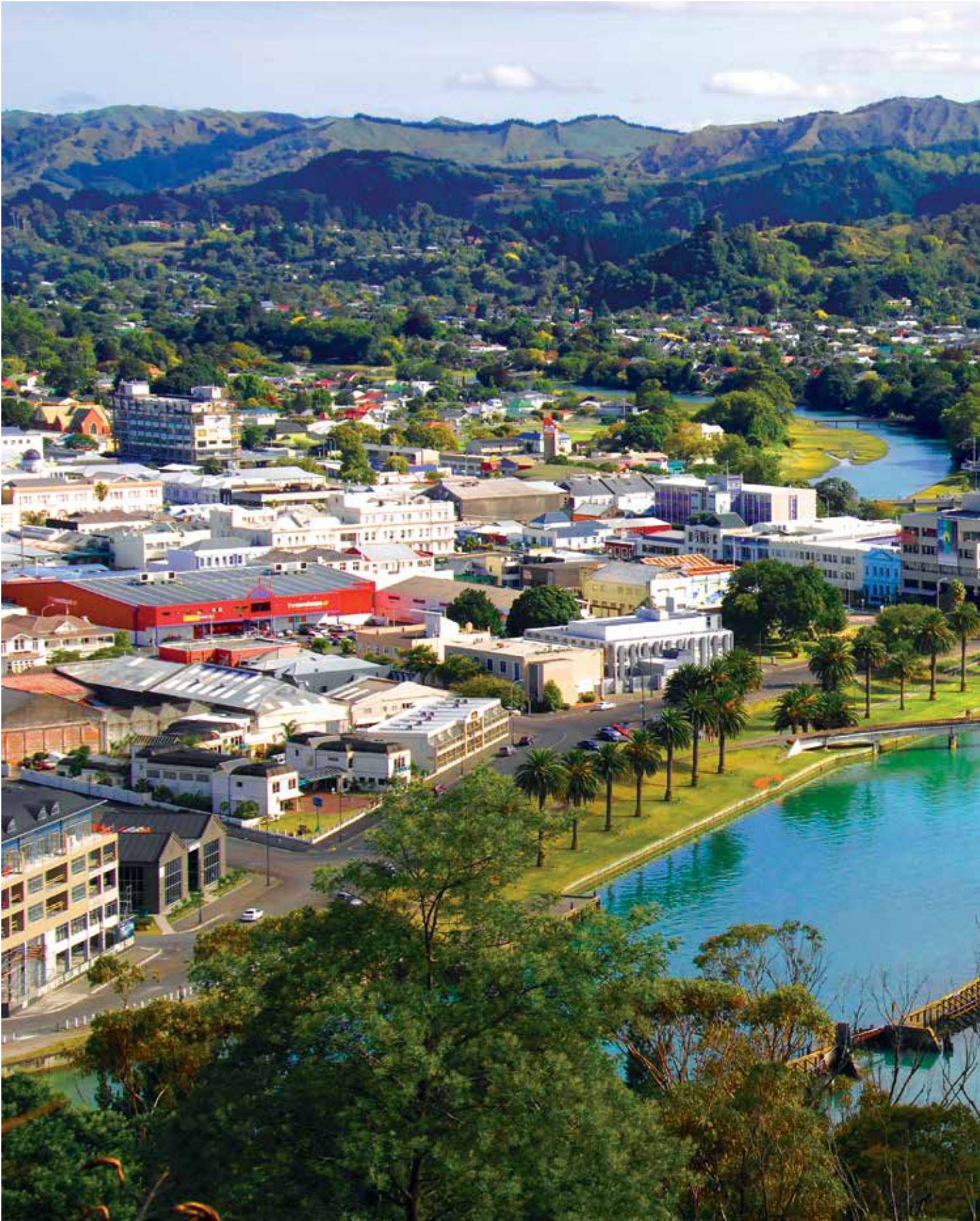
Attesting to the ability to respond to up to 100,000 claims

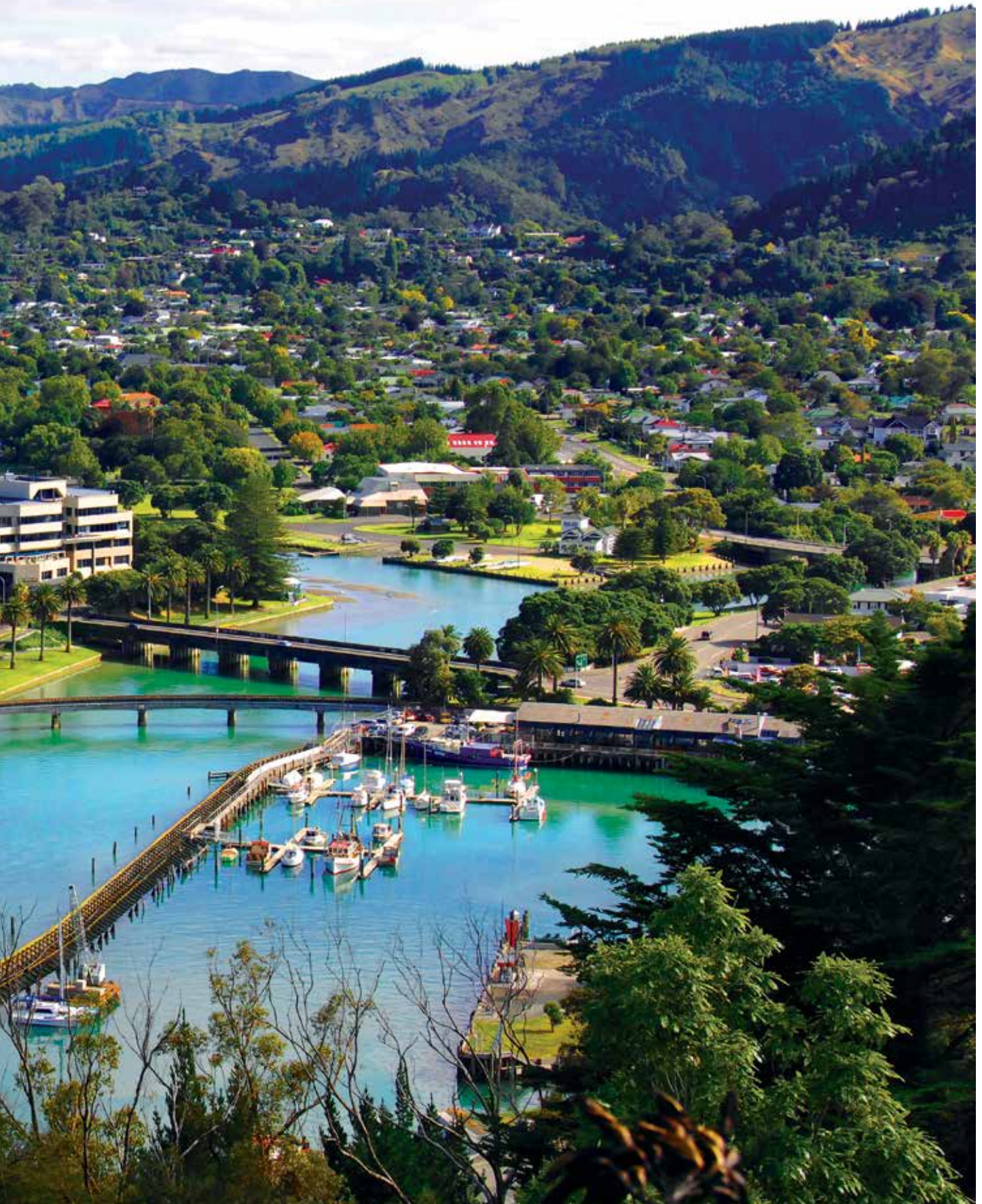
Under our claims model, NDRM Insurers are required to attest they have surge plans to support the model to respond to a natural hazard event with up to 100,000 homeowner claims. All insurers provided us with written confirmation that they have these plans.

Developing the claims model

We work with NDRM Insurers to further develop the model's efficiency and effectiveness and document this work in an annual implementation plan. In 2023/24 this plan included improvements in data sharing, contributing to the independent review of the model's response to the North Island Weather Events, and preparing for the start of the Natural Hazards Insurance Act 2023. We successfully delivered the projects in the implementation plan.









Organisation and governance

Te Kōmihana me tana
kāwanatanga

Organisation

Commitment to our people

We want our people to develop and experience great leadership and feel inspired and empowered, and overall have a great experience at NHC Toka Tū Ake.

A 'growth culture' ensures our people feel safe to provide their ideas and suggestions, are connected to our values, able be themselves, and enabled to learn and grow. In this way, everyone working here can develop a shared commitment to helping each other become better and make a difference to the lives of New Zealanders.

We are also committed to continuous learning and supporting our people to develop capabilities for the future, including upskilling and reskilling them. This ensures we have the technical expertise and capacity to respond quickly to homeowners and provide them with a positive experience as our work changes and evolves.

We are continuing to build sustainable and flexible practices, processes, programmes and systems that enable our people leaders and their teams to be successful. This includes using data and analytics well to identify proactive interventions and enable better decisions for our people.

Importantly, it is through encouraging and celebrating the diversity of our people that NHC Toka Tū Ake is a place where our people want to work and stay.

Engagement of our people

The annual staff engagement survey received a response rate of 95.2% and is the highest participation rate we have had for at least the last 6 years. The overall engagement score of 75% was consistent with 2023 and is high by public sector standards.

Our people clearly take pride in the purpose of the organisation and its impact for New Zealanders, as demonstrated through the high survey scores on organisation-level questions. These scores also reflect the strong focus we have put on the health and wellbeing of our people.

Our survey results again show high satisfaction with flexible working arrangements at 91%. Our sustained efforts in promoting flexibility and supporting our employees' needs continue to solidify our approach to an employee-centric workplace where our staff can thrive.

Safety and wellbeing

Our health and safety management system continues to mature. The relevant questions in the annual engagement survey supported this with positive results: 'The health, safety and wellbeing of staff is important in how we do things' (84% score) and 'I have confidence that my health and wellbeing is prioritised and well supported by the organisation' (score of 82%).

There have been no notifiable health and safety injuries, incidents, or events reported during this period.



The essence of our being a great employer is providing a healthy, safe and secure place to work and caring about the wellbeing of our people, as well as the safety of others we work with. At the same time, we must balance our peoples' needs with a requirement to comply with our legal obligations under the Health and Safety at Work Act 2015 and its associated regulations, as well as WorkSafe New Zealand's guidelines and other codes of practice.

We have continued to improve and build our health, safety, security and wellbeing capability and maturity with the overall aim of 'keeping people safe' through ensuring:

- our leaders and workers are highly engaged, so that everyone has opportunities to enhance their health, safety and wellbeing

- our people are competent and empowered to manage risk and to minimise and eliminate harm wherever possible
- high visibility of risks that could harm people and making sure controls are in place for mitigation, and we maintain awareness of our changing risk profile
- our health and safety management system is compliant and operates in a way that aligns with good practice
- effective monitoring, assurance, and improvement processes that provide evidence on how we are performing.

We take a holistic approach to our people's wellbeing at work, including strengthening psychosocial support through establishing consistent processes and training, and providing wellbeing support for our frontline people.



Diversity and inclusion

We have continued our focus on diversity and inclusion to ensure NHC Toka Tū Ake is an attractive workplace to all ethnic groups. Activities we have undertaken include cultural capability training, including appropriate tikanga through recruitment and onboarding processes, and unconscious bias training for our people leaders.

In 2024, we are striving to achieve our third consecutive reaccreditation of the GenderTick, following our successful recognitions in 2021 and 2023. Retaining the GenderTick marks a significant milestone, showcasing our unwavering commitment to and progress in implementing gender equity across our organisation.

Representation of gender among our leadership (tier 4 and above) is 37.2% male, and 62.8% female, compared with an organisational mix of 43.0% male, 56.7% female and 0.3% gender diverse. This tells us that the systems in place to support gender equity in professional development are successful, and we have an organisation that supports gender equity.

Our solid partnership with TupuToa has strengthened our dedication to fostering diverse talent through internships. We are getting ready to support our third group of interns.

We are excited to expand this initiative soon by also offering internships to access citizens – people with disabilities and/or accessibility needs. This will further reinforce our commitment to inclusivity and providing valuable opportunities for emerging professionals.

Our diversity and inclusion work programme includes initiatives to foster a supportive work environment for all employees and ensure greater ethnic diversity in our leadership. Engagement survey results show that responses from ethnic minority employees are largely consistent with the overall organisation responses across most questions and categories.

Lastly, our commitment to the Pride Pledge underscores our dedication to creating an inclusive and supportive environment for all our people.

While we are making positive progress in many areas, we acknowledge we still have work to do to make NHC Toka Tū Ake a highly desirable place to work for everyone who is already here or wants to be.

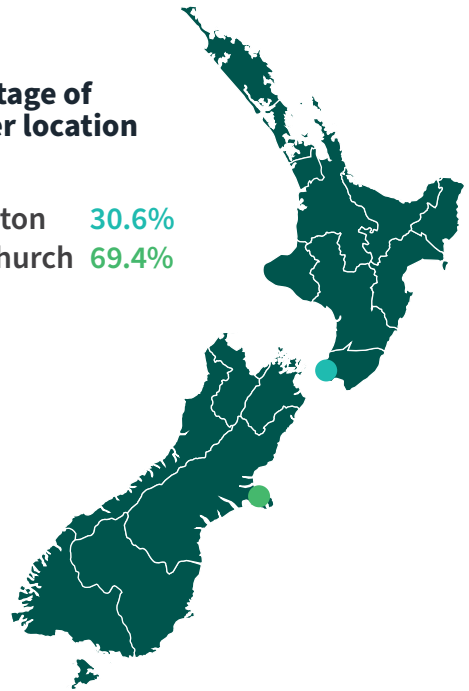


East Coast LAB community roadshow 2024



Percentage of staff per location

Wellington 30.6%
Christchurch 69.4%



Age range - years



7.2%
18-29



30.3%
30-39



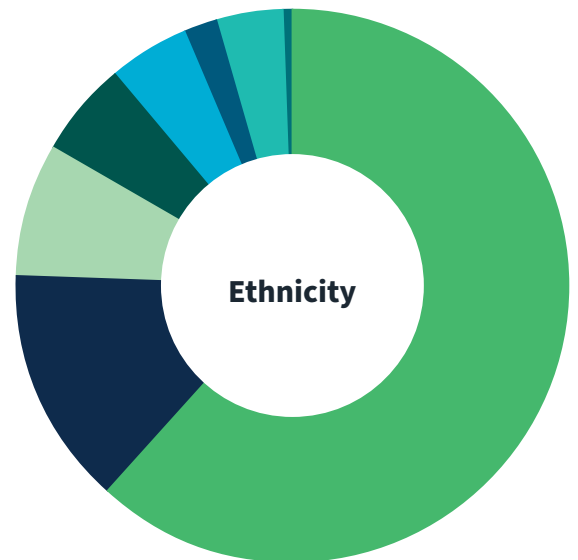
29.4%
40-49



21.4%
50-59



11.7%
60-69



The average age of people working at NHC Toka Tū Ake is 44.6 years

NZ European	60.3%
European	15.8%
Asian	7.8%
Māori	4.7%
Pasifika	5.0%
Indian	2.5%
Other	3.3%
Undisclosed	0.6%

Gender



43.0%
Male



56.7%
Female

0.3%
Gender diverse

Leadership demographics

	Male	Female
Executive Leadership Team	3	6
People Leaders	29	48

	NZ European	Others
ELT	9	0
People Leaders	66	11

Making progress on our Te Ao Māori Strategy and Crown—Māori obligations

We started implementing our Te Ao Māori Strategy in July 2023, focusing on activities and outcomes that deliver on our four strategic priorities. To facilitate this, we have created and filled the position of Strategic Advisor Te Ao Māori to guide the organisation's delivery of the strategy.

The organisation has successfully developed mana whenua relationships in both Te Whanganui-a-Tara Wellington and Ōtautahi Christchurch. We continue to find areas of shared interest and opportunity through these strategic relationships.

We have also developed and released Tuinga Rourou, an engagement framework that sets out how NHC Toka Tū Ake will work with iwi and hapū Māori, Māori networks, communities and stakeholders across the breadth of our work.

In the final development stages is our Māori engagement strategy and implementation plan. These link our engagement activities back to our strategic business priorities, helping us invest in the right relationships to support our work.

Developing a Māori research strategy

Our research priority has helped inform our Māori research focus for the NHC Toka Tū Ake research strategy. Work continues to develop a Māori research strategy that will ensure mātauranga Māori is incorporated, as appropriate, into all aspects of our research work programme.

We commissioned research, and delivered a draft report, on understanding the barriers to Māori accessing Natural Hazards Insurance cover and have undertaken further analysis to implement strategies to overcome these barriers.

Maturing our cultural capability

In 2023, we delivered the Wall Walk to people leaders in both offices and then opened this opportunity to all staff. The Wall Walk builds an understanding of historical events of significance to New Zealand during a virtual walk through time. 186 staff participated and reported appreciation, understanding, wanting to learn more and finding the experience confronting in a positive way.

To increase our language competence, 41 staff completed te reo Māori level one in 2023/24, reporting an increase in confidence from 3.5/10 to 5.5/10. In addition, a structured whaikōrero training programme began this year, focusing on building the capability of a small group of staff to deliver whaikōrero for mihi whakatau and other occasions. We continue to deliver bi-monthly mihi whakatau for new staff in both offices, in partnership with mana whenua.

Also this year, updated te ao Māori learning and development modules were designed and released for all staff to access through our Click e-learning platform. These modules were adapted to align with the Te Ao Māori Strategy and focus on Treaty of Waitangi literacy, tikanga Māori and te reo Māori.

Building on our transformation from a data-informed to a data-enabled organisation

NHC Toka Tū Ake simplified and modernised our digital environment through a major transformation programme completed in June 2022. The programme involved changes to all parts of the organisation, requiring updates to policies, processes and operating models, with new systems and capabilities implemented to support the change.

Following this transformation, the NHC Toka Tū Ake Data and Digital Strategy was approved by the Board in May 2023. It sets out our vision of being a data-enabled organisation, putting data at the centre of high-quality decision-making, and operational efficiency and effectiveness.

Achieving this vision relies on our ability to protect our data and information, improve data quality, and manage data and information effectively. This year, we have been formalising our data-quality framework with an initial focus on claims data.

Maturing our information management and cybersecurity practices

The security, accessibility and quality of our data and information are critical to delivering our Data and Digital Strategy, managing risk, and ensuring compliance.

We have maintained an ongoing focus on maturing our information management and cybersecurity practices.

We regularly assess our progress with reference to the US National Institute of Standards and Technology's Cybersecurity Framework and the Information Management Maturity Assessment issued by Te Rua Mahara o te Kāwanatanga Archives New Zealand. These have demonstrated the steady improvement in our information management and cybersecurity practices.

Formalising our data-quality framework

In July 2023, KPMG delivered an internal audit review and maturity assessment of our data-governance practices, which identified gaps in how we manage and govern our data. Three high-risk and one medium-risk issues were highlighted in the areas of data strategy and governance, data quality and metadata.

We have focused on establishing our data-quality framework as a priority and setting milestones for maturing our practices and extending their use across the organisation.

All elements of the data-quality framework are now in place. We have piloted the framework with an initial focus on claims data that supports several high-priority operational, reporting and assurance processes.

The pilot has provided clear evidence of the benefits of our approach.

Our Carbon Neutral Government Programme

NHC Toka Tū Ake is committed to meeting the requirements of the Carbon Neutral Government Programme. Our greenhouse gas emissions data and calculations are independently verified by Toitū Envirocare. We are proudly a Toitū carbonreduce organisation, which means we are measuring, managing and reducing our emissions according to Toitū requirements.

In line with Carbon Neutral Government Programme guidance, we have set a target to reduce our emissions by 21% by 2025 and 42% by 2030, using 2019/20 as a baseline. As at 30 June 2024, we have already reduced our baseline emissions by 42%.

Over the past year, we have successfully implemented our reduction plan by focusing on major emissions sources, primarily air travel and associated emissions. The resulting decrease in air travel emissions has exceeded our expectations, returning to a level close to our 2020/21 emissions when the COVID-19 pandemic and travel restrictions prevented air travel. This has been a significant turnaround from last year's results. This reduction was because of a combination of internal efforts to reduce travel and settling into a new normal when travel increased after restrictions were lifted in early 2022.

Emissions by category (tonnes of CO₂ equivalents)

	2019/20 (baseline year)	2020/21	2021/22	2022/23	2023/24
Category One – Direct Emissions	31	18	10	5	1
Category Two – Indirect Emissions from Imported Energy	58	15	13	15	19
Category Three – Indirect Emissions from Transportation	316	206	152	307	208
Category Four – Indirect Emissions from Products and Services used by Organisations	24	21	20	26	23
Category Five – Indirect Emissions from Other Sources	0	0	0	0	0
Category Six – Indirect Emissions from Other Sources	0	0	0	0	0
Total	429	260	195	353	251

Staff commute emissions

	2020/21	2021/22	2022/23	2023/24
Staff Commute Emissions	235	236	236	249

Staff commute emissions have been included in this year’s reporting because we have identified them as a sizeable part of our emissions profile following staff surveys. On advice from our auditors Toitū and the Ministry for the Environment, we have decided to report on staff commute emissions separately from our other emissions because staff commuting represents a segment of emissions we have less direct influence over than other emissions sources.

Emissions by source (tonnes of CO₂ equivalents)

	2019/20 (baseline year)	2020/21	2021/22	2022/23	2023/24
Air Travel	297	162	86	261	177
Mileage Claims	8	10	42	7	7
Working From Home	-	16	17	14	13
Wastewater	12	15	15	16	16
Electricity	59	15	13	15	19
Fleet (Petrol)	30	18	10	5	1
Accommodation	8	12	5	16	5
Waste	5	2	2	5	3
Water Supply	1	1	1	1	1
Electricity Transmission Loss	6	1	1	2	1
Taxis	1	5	1	4	>0
Recycling	-	1	1	3	1
Rental Cars	1	1	>0	4	5
Fleet (Diesel)	1	1	>0	>0	1
Total	429	260	195	353	251
2025 reduction target: 338.91					

Emissions intensity

	2019/20 (baseline year)	2020/21	2021/22	2022/23	2023/24
Full-time equivalent (FTE) staff	394	307	314	316	354
Emissions (tonnes of CO ₂ equivalents per FTE)	1.09	0.85	0.62	1.11	0.71

Governance and leadership

The Board is the governing body of NHC Toka Tū Ake

The NHC Toka Tū Ake Board has the authority to exercise the powers and perform the functions of NHC Toka Tū Ake. The Board is accountable to Hon David Seymour, Associate Minister of Finance.

All decisions relating to the operation of NHC Toka Tū Ake are made by, or under the authority of, the NHC Toka Tū Ake Board in accordance with the NHI Act and the Crown Entities Act 2004.

The Board is also responsible for:

- setting the strategic direction for NHC Toka Tū Ake
- ensuring resources and objectives are aligned

- monitoring financial, organisational and management performance
- appointing the Chief Executive
- ensuring, through the activities of management, that NHC Toka Tū Ake complies with its legal obligations.

The Board gives effect to government policy through the Statement of Intent and the Statement of Performance Expectations under which the Minister and the NHC Toka Tū Ake Board agree on specific deliverables.

The NHC Toka Tū Ake Board is also guided by an annual letter of expectations that sets out the Minister's expectations for NHC Toka Tū Ake, and an enduring letter of expectations for statutory Crown entities set by the Minister for the Public Service.

The Board Chair is Chris Black and the Deputy Chair is Hon Ruth Dyson. The profiles of the current members of the Board are on the following pages.



**Chris Black – Board Chair**

CA, PGDip Accounting, BSurv, MInstD

Chris brings more than 25 years' governance and executive experience with a strong background in insurance, banking and investment management. He was previously Chief Executive of Farmers Mutual Group from 2008 to 2021, has been the President of the Insurance Council of New Zealand and served on the Board of the Insurance & Financial Services Ombudsman Scheme. Chris has expertise in corporate strategy, customer service, financial and risk management, and leading cultural change.

Chris was appointed to the NHC Toka Tū Ake Board in April 2022 and has been Chair since 1 July 2022. He is also Chair of Rabobank NZ, on several boards in the Southern Cross health group, and is a trustee of the Mental Health Foundation.

Term ends: 31 March 2025

**Hon Ruth Dyson – Deputy Chair**

QSO

Ruth Dyson has had a lengthy political career, serving as President of the New Zealand Labour Party from 1988 to 1992 and as a Member of Parliament from 1993 to 2020, representing the electorates of Lyttelton, Banks Peninsula and Port Hills. She was a Cabinet Minister between 1999 and 2008, serving as Minister for Social Development, ACC, Labour, Disability Issues and Senior Citizens among others.

She has a strong public policy background and a track record of working for her constituents following the Canterbury earthquakes. She was Opposition spokesperson for Canterbury Earthquake Recovery, Chief Whip and Assistant Speaker before her retirement.

Ruth joined the NHC Toka Tū Ake Board in May 2021 and was appointed Deputy Chair in April 2022.

Term ends: 30 April 2026



Alastair Hercus – Commissioner

BA (Hons), LLB, CMIInstD

Alastair was a Partner at Buddle Findlay from 1995 and is now a consultant there, following an earlier career as a diplomat in the Ministry of Foreign Affairs and Trade. He brings legal, governance and government sector experience. He has insurance sector experience as former Deputy Chair of the Medical Assurance Society and is currently Chair of Co-operative Life Ltd. He is also a Director of Invercargill Airport Ltd and the Fonterra Shareholders’ Fund, and Chair of the Risk and Advisory Committee at the Ministry of Business, Innovation and Employment.

Alastair brings a focus to the NHC Toka Tū Ake policy, regulatory and commercial environment, including responses to the Public Inquiry into EQC, regulatory changes, and the NHC Toka Tū Ake relationship with the private insurance industry.

Alastair joined the NHC Toka Tū Ake Board on 1 March 2020 and is Chair of the Audit and Risk Committee.

Term ends: 30 June 2025



Erica Seville – Commissioner

PhD, BE (Hons), CMIInstD, Hon FBCI

Erica brings a strong focus on strengthening broader resilience for NHC Toka Tū Ake, as well as preparing for our role during disaster recovery. She is the co-founder of Resilient Organisations, a social enterprise undertaking both public good research and consulting to help organisations and communities improve their resilience.

Erica has a PhD in risk management and has experience leading several major research programmes in the fields of disaster management, economic and business recovery, and the efficacy of insurance.

In addition to her role with NHC Toka Tū Ake, Erica is also a director for Resilient Organisations, the Building Research Association of New Zealand (BRANZ), and is Deputy Chair of Response and Recovery Aotearoa New Zealand.

Erica joined the NHC Toka Tū Ake Board on 1 July 2018 and is Chair of the People, Culture and Governance Committee.

Term ends: 31 August 2027

**Fiona Wilson – Commissioner**

BSc, MSc, GradDipApplStats, CMIInstD

Fiona brings a focus on sustainable growth and business improvement with a deep understanding of the ability of data and technology to enable change. She has been responsible for leading successful change programmes and improving business resilience across organisations, ranging from privately held through to entire public health systems.

Fiona has spent a good deal of her career in the public sector, so is highly experienced working in complex businesses involving diverse stakeholder groups. She has held Chief Information Officer and Chief Executive Officer roles in Australia and New Zealand. As CEO of an analytics business, she has guided major organisations in the public and private sectors to develop analytics capability, data governance maturity and programme delivery performance.

With a background in medical research and statistics, Fiona is passionate about helping businesses make greater use of data and analytics to improve their processes, decision-making and overall business performance.

Fiona joined the NHC Toka Tū Ake Board in March 2020.

Term ends: 31 August 2027

**Scott Lewis – Commissioner**

BBS, FIAA, FNZSA, CMIInstD

Scott has more than 30 years' experience in the insurance industry in New Zealand and overseas. He has held senior management positions at Vero, Lumley and IAG, and has also worked in the public sector at Oranga Tamariki.

Scott has a passion for helping organisations to understand how modelling and analytics can provide meaningful insights to improve decision-making. He has expertise in capital management, reinsurance, pricing, data analytics and risk management. He has also worked on the Canterbury earthquakes claims response for a major insurer.

Scott is a Fellow of the Institute of Actuaries of Australia and the New Zealand Society of Actuaries, of which he is currently President. Scott joined the NHC Toka Tū Ake Board in March 2020 and is Chair of the Loss Modelling and Risk Financing Committee.

Term ends: 28 February 2026



Ziena Jalil – Commissioner
MA (Hons), BCS, DipIntlTrade, MInstD

Ziena brings a rich experience as an accomplished business and public sector leader with a focus on delivering equity and opportunity for those with diverse cultures, abilities and experiences. A champion of customer and community centricity, Ziena has worked with some of New Zealand’s largest businesses and organisations on their strategies, building their stakeholder relationships, reputations and revenue. She advocates for outcomes that make a difference and is passionate about supporting the growth of women and young people from Māori, Pacific and ethnic communities.

Ziena holds governance positions across public, private and charity sectors, including roles with Education New Zealand, DNA Design, Asia New Zealand Foundation, and the Cancer Society Auckland Northland. She has received several international awards for her work promoting New Zealand trade and education in Asia, where she was based for 10 years. Ziena joined the NHC Toka Tū Ake Board in July 2022.

Term ends: 30 June 2025



Andrea Brunner – Commissioner
LLB, BA, MBA, ANZIIF (Snr Assoc), CIP, CFInstD

Andrea brings more than 20 years’ senior executive experience primarily within financial services, including general, life and health insurance, and consumer banking. She has significant experience leading client-facing as well as corporate functions within financial services, and brings specialist expertise in the areas of people and culture, marketing, communications, change management, customer experience, strategic partnerships and stakeholder management.

Andrea has previously served on the Insurance Council of New Zealand Employment and Education Committee, including five years as Chair. Andrea joined the NHC Toka Tū Ake Board in May 2023.

Term ends: 30 April 2026

Board committees

There were three Board committees during 2023/24:

- **The Audit and Risk Committee** supports the Board in overseeing risk and assurance activities. Alastair Hercus is the Chair. Other members on the committee are Ruth Dyson Scott Lewis and Fiona Wilson. The Board Chair attends meetings ex officio.
- **The People, Culture and Governance Board Committee** supports the Board in delivering its responsibilities for people, culture, remuneration, health and safety, security and wellbeing. Erica Seville is the Chair. Other members on the committee are Ziena Jalil and Andrea Brunner. Alister James was also on this Committee until he left the Board on 30 April 2024. The Board Chair attends meetings ex officio.
- **The Loss Modelling and Risk Financing Committee** supports the Board in delivering its responsibilities for loss modelling and risk financing. Scott Lewis is the Chair. Other members on the committee are Alastair Hercus, Erica Seville, Ruth Dyson and Fiona Wilson. The Board Chair attends meetings ex officio.

The table below sets out committees, members and attendance for 2023/24.

Board member	Board (15 meetings)	Audit and Risk Committee (6 meetings)	People, Culture and Governance Committee (4 meetings)	Loss Modelling and Risk Financing Committee (8 meetings)
Chris Black (Board Chair)	14	4	3	7
Ruth Dyson (Deputy Chair, Board)	14	5	-	7
Alastair Hercus	15	6	-	7
Alister James (left Board and subcommittees on 30 April 2024)	11	1	3	-
Erica Seville	15	1	4	4
Fiona Wilson	15	6	1	7
Scott Lewis	14	6	-	6
Ziena Jalil	14	-	2	-
Andrea Brunner	14	1	4	-

The NHC Toka Tū Ake Executive Leadership Team leads our organisation

The Executive Leadership Team's roles are to:

- provide advice to the Board to help them exercise their duties
- implement the strategic direction set by the Board
- define organisational and business strategies and policies
- build organisational capability
- manage the organisation's performance.

The Chief Executive is accountable to the Board and reports to the Board Chair. Changes to the Executive Leadership Team in the 2023/24 financial year were:

- appointing Michala Beacham from Acting Chief Strategy Officer to the new position of Director, Natural Hazards Insurance Act in November 2023
- Rob Hodgson taking up the position of Acting Chief Strategy Officer, filling Michala Beacham's previous role alongside his current role as Chief Data Officer
- Catherine Taylor taking up the permanent position of Chief People Officer vacated by Kate Antonovich.

Together the Chief Executive and other members of the Executive Leadership Team are responsible for the four essential

functions NHC Toka Tū Ake delivers for New Zealanders – Readiness, Resilience Risk financing, and Recovery – along with our supporting functions of strategy, finance, people and culture, data, performance, and reporting.

The current members of the Executive Leadership Team are:



Tina Mitchell
Chief Executive



Hamish Wall
Chief Performance and Improvement Officer



Pip Andrews
Head of On-Solds



Michala Beacham
Director, Natural Hazards Insurance Act and Acting Chief Strategy Officer



Chris Chainey
Chief Financial Officer



Zoe Morley
Director, Office of the Chief Executive



Rob Hodgson
Chief Data Officer and
Acting Chief Strategy
Officer



Dr Jo Horrocks
Chief Resilience and
Research Officer



Catherine Taylor
Chief People Officer



Kate Tod
Chief Readiness and
Recovery Officer

Governance forums

In addition to our Board and Executive Leadership Team, NHC Toka Tū Ake has a range of other governance forums, both internal and external, to ensure oversight of the core parts of the work programme we deliver under our Statement of Intent.

Managing risk

Risk management activities at NHC Toka Tū Ake are based on the ISO 31000 Risk Management Standard.

NHC Toka Tū Ake views risk management as a critical business discipline that reduces uncertainty and informs decision-making while achieving statutory functions and objectives. The purpose of risk management at NHC Toka Tū Ake is to create and protect value.

Our Board, management and staff are guided by the principles that risk management is:

- customised and proportionate to our requirements
- reliant on appropriate and timely involvement of stakeholders
- approached in a structured and comprehensive way
- an integral part of all our organisational activities
- able to anticipate, detect, acknowledge and respond to changes
- considerate of any limitations on available information
- influenced by human and cultural factors
- continually improved through learning and experience.

Our risk management roles and responsibilities follow the internationally accepted ‘three lines of defence’ model. This gives our people primary responsibility for identifying and managing risks within their teams and ensuring risk management is an integral part of all their business activities. We have an assurance programme that covers all aspects of our activities, including our claims model. Management engages regularly with our Board and the Audit and Risk Committee to identify risks and the appropriate controls and actions required.

The internal risk and assurance team advises the Audit and Risk Committee and management on the current and emerging risk landscape for NHC Toka Tū Ake, relative to the Board-approved risk appetite.

We are committed to the implementation of our risk management framework and have an open and receptive approach to managing risks. This ensures risk management is integrated into normal business processes and aligned to our strategic goals. Our risk management activities include:

- promoting an organisational culture that encourages transparent identification and open discussion of threats and opportunities
- applying a consistent approach using an agreed and widely understood method and language
- facilitating an appropriate level of monitoring, reporting and escalation to inform decision-making
- balancing cost and effectiveness, ensuring that improvements in controls are viable and cost-effective given the expected benefits or outcomes, and focus on what matters most
- providing assurance that risks are adequately managed and that we can plan for, rather than react to, risk
- dynamic and iterative responses to change that are tailored to our needs

- facilitating continual improvement of the organisation
- incorporating audit and compliance disciplines as part of sound risk management.







Financial statements

Pūrongo pūtea

Statement of responsibility

The NHC Toka Tū Ake Board is responsible for:

- preparing the financial statements and statement of performance for NHC Toka Tū Ake and the judgements made in them
- any end-of-year performance information provided by NHC Toka Tū Ake under section 19A of the Public Finance Act 1989

- establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the NHC Toka Tū Ake Board, the annual financial statements and the Statement of Performance for the financial year ended 30 June 2024 fairly reflect the financial position and operations of NHC Toka Tū Ake.

Signed on behalf of the NHC Toka Tū Ake Board:



Chris Black
Board Chair
26 September 2024



Alastair Hercus
Commissioner
26 September 2024



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF TOKA TŪ AKE - NATURAL HAZARDS COMMISSION'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2024

The Auditor-General is the auditor of Toka Tū Ake - Natural Hazards Commission (the Commission). The Auditor-General has appointed me, David Borrie, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements and the performance information of the Commission on his behalf.

Opinion

We have audited:

- the financial statements of the Commission on pages 76 to 122, that comprise the statement of financial position as at 30 June 2024, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information which reports against the Commission's statement of performance expectations for the year ended 30 June 2024 on pages 24 to 47.

In our opinion:

- the financial statements of the Commission:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2024; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the Commission's performance information for the year ended 30 June 2024:
 - presents fairly, in all material respects, for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 26 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we draw your attention to other matters. In addition, we outline the responsibilities of the Board of Commissioners and our responsibilities relating to the financial

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statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

Without modifying our opinion, we draw attention to the following disclosures in the financial statements.

Deficiency Funding between the Crown and the Commission

Note 1 on pages 81 and 82 indicates that at 30 June 2024, the Commission's total liabilities exceeded its total assets, after accounting for reinsurance. The Crown, in terms of its obligation under Section 112 of the Natural Hazards Insurance Act 2023, must make payments into the Natural Hazards Fund if the assets of the Fund are not sufficient to pay the amounts forecast to be due and payable out of the Fund in any upcoming 12-month period. The Crown has not provided any funds as grants or advances in the 2023/24 financial year.

Uncertainties associated with the outstanding claims liability

Note 2 on pages 82 to 95 describes the inherent uncertainties involved in estimating the outstanding claims liability and the related reinsurance receivable and how these have been affected by the Canterbury Earthquake and the North Island weather events.

Responsibilities of the Board of Commissioners for the financial statements and the performance information

The Board of Commissioners are responsible on behalf of the Commission for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board of Commissioners are responsible for such internal control as they determine is necessary to enable them to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Commissioners are responsible on behalf of the Commission for assessing the Commission's ability to continue as a going concern. The Board of Commissioners are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Commission, or there is no realistic alternative but to do so.

The Board of Commissioner's responsibilities arise from the Crown Entities Act 2004.



Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Commission's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Commissioners.
- We evaluate the appropriateness of the performance information which reports against the Commission's statement of performance expectations.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Commissioners and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.



- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Commissioners regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Commissioners are responsible for the other information. The other information comprises the information included on pages 1 to 23, 48 to 71 and 123 to 124 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Commission in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Commission.



David Borrie
Ernst & Young
Chartered Accountants
On behalf of the Auditor-General
Wellington, New Zealand

Statement of comprehensive revenue and expense

For the year ended 30 June 2024

	Note	Actual 2024 \$(000)	Budget 2024 \$(000)	Actual 2023 \$(000)
Earned premiums				
Premiums	3	853,457	818,736	611,882
Outward reinsurance premium expense		(413,985)	(473,917)	(286,244)
Net earned premium revenue		439,472	344,819	325,638
Underwriting movements				
Reinsurance recoveries	6	27,608	5,901	44,508
Claims expense	7	(71,550)	(54,374)	(835,232)
Movement in unexpired risk liability	15	(92,318)	-	(12,764)
Total underwriting movements		(136,260)	(48,473)	(803,488)
Surplus/(deficit) from insurance activities		303,212	296,346	(477,850)
Other operating revenue				
Other revenue	4	9,825	8,845	9,902
Total other operating revenue		9,825	8,845	9,902
Other operating expense				
Resilience		(29,118)	(40,297)	(35,069)
Readiness		(23,301)	(27,644)	(21,652)
Risk financing		(7,160)	(8,308)	(6,125)
Recovery		(24,352)	(29,189)	(22,610)
Other expenses	4	(8,004)	(8,445)	(9,307)
Total other operating expense	8	(91,935)	(113,883)	(94,763)
Investment activities				
Investment revenue	9	10,021	3,912	4,561
Interest on cash balances		10,199	-	7,954
Total revenue from investment activities		20,220	3,912	12,515
Crown underwriting fee	19	(10,000)	(10,000)	(10,000)
Net surplus/(deficit)		231,322	185,220	(560,196)
Total comprehensive revenue/(expense) for the year		231,322	185,220	(560,196)

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2024

	Note	Actual 2024 \$(000)	Budget 2024 \$(000)	Actual 2023 \$(000)
Equity				
Capitalised reserves	18	1,500,000	1,500,000	1,500,000
Retained earnings				
Opening balance at 1 July (deficit)		(2,352,830)	(2,358,161)	(1,792,634)
Total comprehensive revenue/(expense) for the year		231,322	185,220	(560,196)
Closing balance at 30 June (deficit)		(2,121,508)	(2,172,941)	(2,352,830)
Closing balance as at 30 June		(621,508)	(672,941)	(852,830)

Statement of financial position

As at 30 June 2024

	Note	Actual 2024 \$(000)	Budget 2024 \$(000)	Actual 2023 \$(000)
Equity				
Capitalised reserves	18	1,500,000	1,500,000	1,500,000
Retained earnings		(2,121,508)	(2,172,941)	(2,352,830)
Total equity		(621,508)	(672,941)	(852,830)
Assets				
Cash and cash equivalents		142,814	5,054	192,189
Premiums receivable		178,689	164,884	161,999
Other receivables and prepayments	5	34,928	37,232	37,705
Outward reinsurance expense asset		72,800	86,167	68,227
Outstanding reinsurance recoveries	6	136,692	95,047	163,814
Investments	14	136,419	-	160,775
Property, plant and equipment	10	4,242	2,431	1,402
Intangible assets	11	6,310	5,375	9,717
Total assets		712,894	396,190	795,828
Liabilities				
Trade and other payables	12	(30,006)	(34,751)	(28,349)
Short-term liabilities	13	(3,749)	(2,878)	(3,183)
Outstanding claims liability	2	(741,295)	(583,845)	(1,184,510)
Unearned premium liability	3	(454,270)	(447,657)	(419,852)
Unexpired risk liability	15	(105,082)	-	(12,764)
Total liabilities		(1,334,402)	(1,069,131)	(1,648,658)
Net liabilities*		(621,508)	(672,941)	(852,830)

* To ensure NHC Toka Tū Ake can meet its liabilities as they fall due, at 30 June 2024 the Crown and NHC Toka Tū Ake have a Funding Deed in place for the Crown to meet its obligation under section 16 of the EQC Act. From 1 July 2024 the NHI Act introduced section 112 whereby the Crown must make payments into the Natural Hazard Fund if there are insufficient assets to meet its forecasted obligations in any upcoming 12-month period. For further information on the going concern basis of these financial statements, refer to Note 1 and Note 18.

Statement of cash flows

For the year ended 30 June 2024

	Note	Actual 2024 \$(000)	Budget 2024 \$(000)	Actual 2023 \$(000)
Cash flows from operating activities				
<i>Cash was provided from:</i>				
Premiums		871,184	845,740	697,211
On-sold agreement receipts		107,473	147,385	107,282
Reinsurance recoveries		54,730	41,440	32,829
Interest		19,576	5,164	12,080
Other revenue		8,779	1,892	2,591
<i>Cash was applied to:</i>				
Claims settlements and handling costs		(515,637)	(494,214)	(239,462)
Outward reinsurance		(414,227)	(475,218)	(305,880)
On-sold agreement costs		(102,831)	(150,904)	(111,887)
Employees and other operating expenses		(72,804)	(83,543)	(59,236)
Crown underwriting fee		(10,000)	(10,000)	(10,000)
Research grants		(5,196)	(6,500)	(6,670)
GeoNet operating expenses		(4,000)	(11,900)	(11,900)
Net GST		(6,688)	5,672	(8,022)
SRES agreement handling cost		(1,205)	(1,500)	(1,092)
Net cash (outflow)/inflow from operating activities		(70,846)	(186,488)	97,844
Cash flows from investing activities				
<i>Cash was provided to:</i>				
Sale of investments		439,500	110,000	380,000
<i>Cash was applied to:</i>				
Purchase of investments		(414,500)	-	(389,500)
Purchase of property, plant and equipment	10	(3,502)	(1,900)	(414)
Purchase of intangibles	11	-	-	(3,284)
Net cash inflow/(outflow) from investing activities		21,498	108,100	(13,198)
Cash flows from financing activities				
<i>Cash was applied to:</i>				
Interest on finance lease liabilities		(1)	(6)	(7)
Payment of finance lease expense		(26)	(27)	(24)
Net cash outflow from financing activities		(27)	(33)	(31)
Net (decrease)/increase in cash and cash equivalents		(49,375)	(78,421)	84,615
Add opening cash and cash equivalents		192,189	83,475	107,574
Closing cash and cash equivalents		142,814	5,054	192,189

The accompanying notes form part of these financial statements.

Statement of cash flows (continued)

For the year ended 30 June 2024

Reconciliation of surplus/(deficit) for the year to net cash (outflow)/inflow from operating activities

	Actual 2024 \$(000)	Budget 2024 \$(000)	Actual 2023 \$(000)
Surplus/(deficit) for the year	231,322	185,220	(560,196)
Add non-cash items:			
Depreciation and amortisation	4,057	3,888	3,506
Loss/gain on disposal	12	-	76
Provisions	56	-	82
Deferred lease incentive	(100)	(100)	(100)
Movement in unexpired risk liability	92,318	-	12,764
Reduction in lease liabilities	(8)	-	-
Total non-cash items	96,335	3,788	16,328
Less items classified as financing activities			
Interest expense and amortisation of lease liability	1	-	7
Total items classified as financing activities	1	-	7
Add/(less) movements in statement of financial position items:			
Premiums receivable	(16,691)	(8,059)	(58,213)
Other receivables and prepayments	2,149	(4,404)	(8,245)
Trade and other payables	1,757	6,132	6,721
Reinsurance recoveries	22,549	35,539	(38,142)
Short-term liabilities	529	(27)	(1,533)
Outstanding claims liability	(443,215)	(439,740)	597,577
Unearned premium liability	34,418	35,063	143,541
Net movements in working capital items	(398,504)	(375,496)	641,706
Net cash (outflow)/inflow from operating activities	(70,846)	(186,488)	97,844

The accompanying notes form part of these financial statements.

Notes to the financial statements

1. Accounting policies

Reporting entity

These financial statements as at 30 June 2024 are prepared for the legal entity, the Earthquake Commission. Legislation governing the operations at 30 June 2024 includes the Crown Entities Act 2004 and the Earthquake Commission Act 1993 (EQC Act).

On 1 July 2024, the new governing legislation, the Natural Hazards Insurance Act 2023 (NHI Act) came into effect and replaced the EQC Act. From 1 July 2024 our legal entity name is Toka Tū Ake Natural Hazards Commission. However, our trading name is Natural Hazards Commission Toka Tū Ake (NHC Toka Tū Ake). We have referred to ourselves as NHC Toka Tū Ake within these financial statements.

NHC Toka Tū Ake's objectives include administering the insurance against natural disaster damage, facilitating research and education, and managing the Natural Hazard Fund.

These financial statements are for the year ended 30 June 2024 and were approved by the Board on 26 September 2024.

Basis of preparation

The financial statements of NHC Toka Tū Ake have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Financial Reporting Act 2013.

They comply with generally accepted accounting practice in New Zealand (NZ GAAP). NHC Toka Tū Ake is designated as a public benefit entity (PBE) for financial reporting purposes. The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

The financial statements have been prepared on a going concern basis. Actuarial estimates of claims liabilities indicate that total liabilities exceed its assets after accounting for reinsurance as at 30 June 2024. At 30 June 2024, the Crown and NHC Toka Tū Ake had a Deficiency Funding Deed in place to meet the Crown's obligation under section 16 of the EQC Act to ensure that NHC Toka Tū Ake could meet its liabilities as they fall due. On 1 July 2024 section 16 of the EQC Act was superseded by section 112 of the NHC Act and the Deficiency Deed was transferred to NHC Toka Tū Ake. This means the Crown must make payments into the Natural Hazard Fund if there are insufficient funds to pay forecasted obligations in an upcoming 12-month period.

The financial statements have been prepared on a historical cost basis modified by the measurement of insurance liabilities and reinsurance recoveries at present value of expected future receipts/payments and investments at fair value.

The financial statements are presented in New Zealand dollars and all values are in thousands (\$000).

The unaudited budget figures are from the 2023-24 Statement of Performance Expectations approved by the Board in June 2023. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements. Refer to Note 22 for variance to budget commentary.

The accompanying notes form part of these financial statements. Where an accounting policy is specific to a note, the policy is described in the note to which it relates.

Taxation

NHC Toka Tū Ake is exempt from income tax under section 10 of the EQC Act.

NHC Toka Tū Ake pays transactional taxes such as Goods and Services Tax, Fringe Benefit Tax and Non-Resident Withholding Tax. All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable, it is recognised as part of the related asset or expense.

Related party disclosures

NHC Toka Tū Ake is a wholly owned entity of the Crown. Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client relationship under normal terms and conditions for such transactions.

Standards issued and not yet effective and not early adopted

The XRB issued PBE IFRS 17 Insurance Contracts in June 2023. This supersedes PBE IFRS 4 Insurance Contracts. It is effective for reporting periods beginning on or after 1 January 2026. NHC Toka Tū Ake has completed a readiness assessment and is currently working through changes to accounting policies and financial statements.

Accounting judgements, estimates and assumptions

NHC Toka Tū Ake makes judgements, estimates and assumptions in respect of certain key assets, liabilities, revenue and expenses. Judgements, estimates and assumptions are continually re-evaluated and are based on historical experience and other factors that are believed to be reasonable under the circumstances. Note 2 outlines the key judgements, estimates and assumptions applied in measuring insurance liabilities and reinsurance recoveries.

2. Insurance liabilities

NHC Toka Tū Ake provides cover to all New Zealand homeowners who have a valid contract of fire insurance for the following hazards: earthquake, landslide, volcanic activity, hydrothermal activity, tsunami, flood and storm damage to residential land, and fires resulting from these events. Due to New Zealand's high level of insurance penetration, and the mandatory nature of NHCover, NHC Toka Tū Ake has a balanced, diversified portfolio covering the vast majority of New Zealand homes.

NHC Toka Tū Ake has an extensive reinsurance programme to protect the portfolio and has an uncapped guarantee from the Crown, if retained funds and reinsurance are inadequate.

At balance date, NHC Toka Tū Ake recognises a liability in respect of outstanding claims, including amounts in relation to claims reported but not yet paid, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and costs, including claims handling expenses. NHC Toka Tū Ake also assesses the adequacy of the unearned premium liability and calculates any resulting additional unexpired risk liability. NHC Toka Tū Ake engages independent professional actuaries to undertake a valuation of outstanding claims and an assessment of the unexpired risk liability on a 6-monthly basis.

When an event initially occurs, NHC Toka Tū Ake will look to estimate the cost using loss modelling (where the peril is modelled, currently only earthquake) and expert scientific advice, based on geological and geographical information. As time progresses, NHC Toka Tū Ake and the actuaries gather additional information as patterns start to emerge in the cost of claims as customers receive their entitlement under the Act and use this to calibrate their models. In the case of the 2010-2011 Canterbury earthquake sequence, court judgments and policy decisions by the Government over time have also affected the nature and value of claims paid. The actuaries take this additional information into account at each valuation to refine their calculations,

which may increase or decrease the estimate of the overall cost of an event. The total costs for any single event will ultimately not be fully known until the final claim has been settled.

Actuarial valuation as at 30 June 2024

The most recent actuarial valuation report was prepared by Craig Lough and Jeremy Holmes of Melville Jessup Weaver (MJW), who are both Fellows of the New Zealand Society of Actuaries. Their report was commissioned to provide estimates of the outstanding claims liability; reinsurance and other recoveries; and premium liabilities, including the unexpired risk liability. MJW also performed actuarial valuations of the outstanding claims liability for the financial years from 30 June 2011 to 30 June 2023. The effective date of the valuation report is 30 June 2024. The actuaries considered that overall the information and data supplied to them was adequate and sufficient for the purpose of the valuation. The outstanding claims liability, comprising all unpaid claims and claims handling expenses related to claims incurred prior to the end of the reporting period, was valued in accordance with New Zealand Society of Actuaries Professional Standard No. 30 - Valuations of General Insurance Claims, and PBE IFRS 4 – Insurance Contracts.

To determine the outstanding claims liability, the actuaries needed to develop a range of assumptions about the eventual cost of currently open claims and the incidence of reopened claims in the future.

To do this, they have analysed past payment and settlement patterns in NHC Toka Tū Ake claims data, including how these have changed over time, and discussed with management and claims staff how these patterns are evolving and the drivers of changes. The final claims assumptions adopted are determined by the actuaries using their professional judgement. Management provides information on current and short-term claims handling expenses, which the actuaries then project out in line with the expected level of claims in force in future periods.

The actuaries projected the ultimate claims costs then deducted the payments made in relation to those claims on or before 30 June 2024 to arrive at the outstanding claims liability. The calculations are performed by event and claim type (land claims or dwelling claims and claims handling expenses). As at 30 June 2024 four separate models were used, one to estimate the Canterbury earthquake sequence liabilities, another to model Kaikōura liabilities, one to estimate liabilities from the Upper North Island Weather Events and a final model for all other claims (known as 'BAU').

The actuaries have used a payments per claim finalised approach to estimate the outstanding claims liabilities for the Canterbury earthquake sequence. All costs are attributed or apportioned to one of five identified earthquakes or groups of earthquakes, as the NHC Toka Tū Ake cap reinstates for each event. NHC Toka Tū Ake has been able to claim against its reinsurance for the Darfield and Lyttelton events.

A direct allocation to each earthquake was not always possible, as properties may not have been assessed between events. A number of mathematical approximations have been developed over time to allocate costs when the actual event cause is unclear.

The model for Canterbury claims allows for some claims to close without a payment being made.

For the Upper North Island Weather Events, the models project the remaining number of claims yet to be reported, the finalisation pattern for current and future claims and the average cost per claim finalised. The projection of the claim numbers is split between land claims and building claims. The average claim size projections as well as settlements and fees are also split between land and building claims.

The outstanding claims liability is recognised at balance date as the central estimate of the present value of the expected future payments for claims incurred to balance date, plus an additional risk margin to allow for the inherent uncertainty in the central estimate. The expected future payments include those in relation to claims reported but not yet paid, incurred but not reported (IBNR), incurred but not enough reported (IBNER) and claims handling costs.

The risk margin is set to achieve a desired probability of sufficiency, based on the actuarial modelling. The NHC Toka Tū Ake Board has chosen to adopt a risk margin of 85% (2023: 85%) probability of sufficiency (i.e. there is an 85% probability

that the net provision will ultimately prove to be adequate to meet the liabilities from events which have occurred as at 30 June 2024, and a 15% chance that it will be insufficient).

Changes to the Earthquake Commission Act affecting the outstanding claims liability

At the time of the first Canterbury earthquake, the EQC Act required claims to be notified within 1 month of an event. This was amended to 3 months in 2011. Therefore, the key area of estimation risk for Canterbury and Kaikōura events is future development in the cost of existing claims ('reopened claims') rather than the future notification of further claims. The volatility of the reopened claim stream is partially mitigated by the maximum settlement amounts which generally applied for each of the Canterbury and Kaikōura events of \$20,000 for contents and \$100,000 excluding GST for dwellings. Claims in relation to residential land are subject to a variable monetary limit and are, therefore, subject to greater uncertainty.

In February 2019, the EQC Amendment Bill was passed, which extended the timeframe for lodging a claim from 3 months to 2 years from that date forward. This has been taken into consideration by Melville Jessup Weaver in estimating the incurred but not reported (IBNR) element of the outstanding claims liability.

From 1 July 2019 the EQC Amendment Bill also saw the removal of the \$20,000 EQCover for contents and the cap on residential building increase from \$100,000 excluding GST to \$150,000 excluding GST.

From 1 October 2022 the cap on residential building cover increased from \$150,000 excluding GST to \$300,000 excluding GST. Both cap increases come into effect across a year at the homeowner's next policy renewal date.

Valuation results – outstanding claims liability and risk margin

On a net of reinsurance basis, the outstanding claims liability including risk margin, has decreased to \$608 million as at 30 June 2024 (2023: \$1,050 million). This decrease is largely due to payments made for the Upper North Island Weather Events that occurred in January and February 2023, and offsetting changes in the estimated ultimate costs of these and the Canterbury earthquake sequence. The emergence of experience for the Upper North Island Weather Events has contributed to a reduction in the risk margin.

As the total value of current and future claims cannot be known with certainty, the amounts recorded in the financial statements for claims liabilities and reinsurance recoveries are almost certain to be different from the liabilities and associated receivables that eventuate. The level of uncertainty is reflected in the overall value of the risk margin as a proportion of the net outstanding claims liability (the liability after accounting for reinsurance recoveries and discounting). This has decreased to 30% in 2024, from 37% in 2023. In absolute terms, the 2024 risk margin decreased to \$139 million from \$281 million in 2023.

The decrease in the risk margin is primarily due to reduced uncertainty surrounding the Upper North Island Weather Events, with fewer outstanding claims and settlements to date sitting within predicted levels. The specific issues related to each part of the liability are discussed in more detail in the related sections below.

Progress with the 2010-2011 Canterbury earthquake sequence

During the 2024 financial year NHC Toka Tū Ake continued to settle reopened claims arising from the Canterbury earthquake sequence. Although it is now more than 13 years since the Canterbury earthquake sequence began, there remains a level of uncertainty associated with the valuation of the outstanding claims liability. Due to the ongoing contribution from reinsurance, numbers for the Canterbury earthquake sequence in this note are presented either on a gross basis, reflecting the movement in the outstanding claims liability, or on a net basis which includes any recoveries from reinsurance and reflects the impact on the Statement of Comprehensive Revenue and Expense.

The central estimate of the gross ultimate cost of the 2010-2011 Canterbury earthquake sequence increased by \$158 million to \$12,443 million in the 2024 financial year. This was driven by an \$86 million increase in the estimated total buildings claims costs, a \$46 million increase in claims handling expenses and a \$27 million increase in the estimated land claims costs. Expected reinsurance recoveries have increased by \$27 million.

After allowing for reinsurance and other movements, the net impact across the year is an increase in the net ultimate claims including claims handling expense (CHE) of \$132 million.

Key components of the outstanding claims liabilities for the Canterbury earthquake sequence are discussed in more detail in the next sections.

Canterbury buildings claims liability

The focus of the Canterbury programme is on the enduring settlement of reopened claims.

There are a number of reasons why a claim may be reopened for investigation, including missed damage, or managed repairs that have not met the required standard. As at 30 June 2024 there were approximately 1030 reopened claims with potential liability for NHC Toka Tū Ake, including claims currently being triaged due to new homeowner inquiries and those managed under the On-sold and Southern Response programmes.

During the 2024 financial year NHC Toka Tū Ake increased the gross central estimate ultimate expense for building claims by \$86 million.

The main elements driving the change in the liability are:

- increases to the assumed number of future reopened claims and the duration over which they will occur, based on both current and past trends and discussions with management and claims handling staff

- an increase in the provision for costs falling to NHC Toka Tū Ake in respect of On-sold homeowners, where these costs are not covered by the Crown On-sold Programme. This provision addresses the under-cap portion of claims for which NHC Toka Tū Ake is responsible. The Crown On-sold support package, announced in August 2019, is managed by NHC Toka Tū Ake on behalf of the Crown. It covers the over-cap portion of required repairs for eligible Canterbury homeowners who purchased properties before 15 August 2019 that were initially assessed as under-cap but later found to have damage exceeding the cap.

One further insurer has approached NHC Toka Tū Ake about the wash-up of claims costs for settled Canterbury claims, following the finalisation agreements with the four largest private insurers in 2021. The provision for this has not changed since 30 June 2023.

Canterbury land claims liability

The series of earthquakes Canterbury experienced from September 2010 caused several types of land damage. The central estimate of the gross ultimate land claims costs increased by \$27 million to \$605 million in the 2024 financial year. As at 30 June 2024 the estimated gross outstanding claims liability is \$27 million. As at 30 June 2024, NHC Toka Tū Ake has completed all land settlement claims. However, there is now an allowance for a class action related to Increased Liquefaction Vulnerability (ILV) land settlements.

A provision has been included for the potential costs to NHC Toka Tū Ake. This is not an indication that this action is believed to have merit.

Reinsurance recoveries

NHC Toka Tū Ake continues to draw on reinsurance in respect of the 2010 Darfield event. The expected reinsurance recoveries have increased by \$24 million to \$2,452 million as at 30 June 2024. The reinsurance recovery has been estimated taking into account currently open claims, the modelled scenarios for future reopened claims, reinsurable claims handling expenses, and the structure and amount of the remaining reinsurance cover. In approximately 39% of modelled scenarios, NHC Toka Tū Ake will reach the limit of the available reinsurance. Claims on NHC Toka Tū Ake reinsurance may be subject to audit by reinsurers prior to payment.

No further reinsurance recoveries are available for the 2011 Lyttleton event.

Canterbury claims handling expenses liability

In working to resolve the outstanding Canterbury earthquake sequence claims, NHC Toka Tū Ake incurs claims handling expenses including personnel, technology and professional expertise costs. As at 30 June 2024, NHC Toka Tū Ake has revised its estimate of the total claims handling expenses that may be required to settle ongoing reopened claims.

The change in the modelling methodology, increase in the expected timeframe and number of reopening claims has resulted in an increase of \$46 million to the gross ultimate claims handling expenses (\$30 million on a net of reinsurance basis), with the ultimate claims handling expenses now estimated to be \$1,848 million, an increase from \$1,803 million at 30 June 2023. As at 30 June 2024 \$1,740 million has been paid. The provision for claims handling costs has increased by \$32 million to \$108 million as at 30 June 2024.

Summary of key assumptions for future payments arising from the Canterbury earthquake sequence

The Canterbury earthquake sequence claims models use stochastic processes to estimate the range around the central estimate of the ultimate claims cost. As such, each key assumption has a probability distribution. The table below summarises the sensitivity of the estimated outstanding claims liabilities for the Canterbury earthquake sequence to each of the assumptions used in the model.

Item	Assumption*	Sensitivity	Impact on Net OCL**
Average claim size (non-zero payment for claim that remains open)	Starting at \$43,000	+/- \$1,000	+/- \$1m
Average claim size (non-zero payment for claim upon closing)	Starting at \$24,000	+/- \$1,000	+/- \$8m
Proportion incurring payment each month while remaining open	2.1% per month	+/- 0.1%	+/- \$2m
Proportion incurring payment (upon closing)	44%	+/- 1%	+/- \$4m
Reopen rate	Dependent on time since last closure e.g. 11.1% reopen during first month after closing	+/- 10%	+ \$38m, - \$34m
Closure rate	Dependent on time since last reopen, e.g. 43% during first month after reopening	+/- 10%	- \$8m, + \$10m

* All assumptions are based on recent experience

** Outstanding claims liabilities

2023 Upper North Island Weather Events

During the first quarter of the 2023 calendar year, there were two significant weather events in the Upper North Island. The first event began on the afternoon of Friday 27 January 2023 and primarily affected Auckland properties. This is referred to as the Auckland Anniversary Floods. The second event was Cyclone Gabrielle which predominantly affected the east coast areas of Gisborne and Hawke's Bay. This event occurred around 12 February 2023. These events are collectively referred to as the Upper North Island Weather Events within these financial statements.

The NHC Toka Tū Ake loss modelling platform, PRUE, provides useful event loss estimates for earthquakes but does not currently have loss models for weather events, so there was significant initial uncertainty regarding the ultimate claims liability, in particular the cost of claims and the extent to which land damage has caused building damage. There remains some uncertainty regarding the ultimate number of claims and costs arising from these events.

The central estimate of the ultimate cost of the Upper North Island Weather Events decreased by \$77 million, from \$486 million as at 30 June 2023 to \$408 million as at 30 June 2024.

To date, payments of \$246 million (including claims handling expenses) have been made, leaving an outstanding central estimate claims expense of \$162 million (\$150 million after discounting). The primary factor contributing to the reduction is a decrease in the assumed average claims cost, as costs to date and claims reserves are tracking below previous assumptions. While higher costs are expected from the claims tail, the event is now sufficiently progressed that the actuaries were comfortable to release part of the provision. The expected number of land claims has also slightly decreased, while the number of expected building claims has risen slightly.

Summary of assumptions for future payments arising from the Upper North Island Weather Events

Item	Auckland Anniversary Floods			Cyclone Gabrielle		
	Assumption	Sensitivity	Impact on Net OCL	Assumption	Sensitivity	Impact on Net OCL
Average claim size	Starting at \$25,000 for land claims and \$28,000 for building claims	+/- \$5,000	+/- \$33m	Starting at \$23,000 for land claims and \$35,000 for building claims	+/- \$5,000	+/- \$28m
Average fee size	Starting at \$9,000 for land claims and \$2,000 for building claims	+/- \$1,000	+/- \$7m	Starting at \$7,000 for land claims and \$2,000 for building claims	+/- \$1,000	+/- \$6m
Reporting pattern	86% fully notified after 200 days from event	- 10%	- \$6m	85% fully notified after 200 days from event	- 10%	- \$9m
Maximum number of claims	5,230 maximum number of land claims	+/- 10%	+ \$12m, - \$5m	4,524 maximum number of land claims	+/- 10%	+ \$9m, - \$4m

Economic assumptions used in the actuarial valuation

The following are the key economic assumptions the actuaries have used in determining the outstanding claims liability:

	2024	2023
Claims inflation rate per annum	4.0% short term decreasing to 3.0% longer term	6.9% short term decreasing to 3.0% longer term
Discount rate per annum	4.25% to 5.36%	4.13% to 5.53%

A number of assumptions are made relating to the timing of payments and claims handling expenses. These can be summarised in the following two measures, which are the results of calculations over the entire claims portfolio:

	2024	2023
Weighted average term to settlement	1.23 years	1.40 years
Claims handling expenses as a percentage of claims paid	15.4%	15.2%

Processes used to determine economic assumptions

Claims inflation rate: The claims inflation rates were determined by considering the residential component of the capital goods pricing index and the labour inflation index and the historical relationships of these indices with the consumer price index. Consumer price inflation projections from a range of economists were then used to project capital goods and labour inflation.

Discount rate: Projected cash flows are discounted for the time value of money using the Treasury’s published discount rates as at 30 June 2024 and 30 June 2023.

Demand surge: Demand surge percentage is based on information from material and labour cost indices, discussions with NHC Toka Tū Ake executives and industry expectations.

Claims handling expenses are allocated by event groups and estimated on a per-claim basis using per-claim assumptions derived from an analysis of expenses. Risk margins are also applied to claims handling expenses.

Sensitivity of economic assumptions

The sensitivity analysis below shows the potential impact of changes in the key economic assumptions on the value of the net outstanding claims liability and on the Statement of Comprehensive Revenue and Expense. For example, increasing the claims discount rate by 1.0% results in a decrease to the claims liability of \$11 million.

Assumption	Movements in variable	Impact on net outstanding claims liability	
		2024 \$(m)	2023 \$(m)
Claims inflation rate	+ 1.0%	+ 7.6	+ 10.1
	- 1.0%	- 7.3	- 9.6
Claims inflation rate	+ 5.0%	+ 41.9	+ 55.4
Discount rate	+ 1.0%	- 11.4	- 13.5
	- 1.0%	+ 12.0	+ 14.1

Outstanding claims liability

\$(000)	2024	2023
Central estimate of outstanding claims liability	(554,505)	(892,697)
Claims handling expenses	(115,477)	(92,766)
Risk margin	(139,497)	(281,044)
Gross outstanding claims liability	(809,479)	(1,266,507)
Discounting	68,184	81,997
Discounted outstanding claims liability	(741,295)	(1,184,510)
Outstanding claims liability	(741,295)	(1,184,510)
Current	(279,101)	(558,042)
Non-current	(462,194)	(626,468)
	(741,295)	(1,184,510)
Outstanding claims liability at 1 July	(1,184,510)	(586,933)
Claims expense	(71,550)	(835,232)
Claims payments	515,637	239,462
Claims handling expense in trade and other payables	(872)	(1,807)
Outstanding claims liability at 30 June	(741,295)	(1,184,510)

The outstanding claims liability, net of reinsurance, within the Statement of Financial Position is \$605 million (2023: \$1,021 million). This is different from the \$608 million (2023: \$1,050 million) reported within the actuarial valuation above due to the timing of reinsurance receipts at year-end.

Claims development table

The following table shows the development of claim cost estimates in relation to the 2010-2011 Canterbury earthquake sequence (presented across the 2011 and 2012 event financial years) and the 2023 Upper North Island Weather Events in addition to the costs incurred in other events. The table demonstrates the extent to which the original estimate of net ultimate claims payments in the event financial year has subsequently developed and illustrates the variability and inherent uncertainty in estimating the central estimate for each event.

There has been no material accumulated outstanding claims liability relative to the current estimate of ultimate claims expense on the years not shown in the table below.

2024 \$(000)	Event Financial Year			
	2023	2012	2011	Total
2010-2011 Canterbury earthquake sequence ultimate claims expense estimate				
At end of incident year	-	(611,000)	(11,711,529)	n/a
One year later	-	(893,567)	(11,594,000)	n/a
Two years later	-	(781,034)	(11,121,971)	n/a
Three years later	-	(442,947)	(10,965,420)	n/a
Four years later	-	(455,293)	(10,805,614)	n/a
Five years later	-	(417,165)	(10,823,437)	n/a
Six years later	-	(435,175)	(10,316,320)	n/a
Seven years later	-	(421,149)	(10,609,302)	n/a
Eight years later	-	(457,557)	(10,986,273)	n/a
Nine years later	-	(459,291)	(11,383,580)	n/a
Ten years later	-	(470,831)	(11,488,944)	n/a
Eleven years later	-	(474,951)	(11,771,346)	n/a
Twelve years later	-	(482,038)	(11,809,477)	n/a
Thirteen years later	-	n/a	(11,960,908)	n/a
Current estimate of ultimate claims expense	-	(482,038)	(11,960,908)	(12,442,946)
Cumulative payments	-	455,747	11,532,972	11,988,719
Outstanding claims liability (undiscounted)	-	(26,291)	(427,936)	(454,227)
Discount	-	3,045	49,664	52,709
Risk margin				(74,556)
2023 Upper North Island Weather Events ultimate claims expense estimate				
At end of incident year	(486,036)	-	-	n/a
One year later	(408,038)	-	-	n/a
Current estimate of ultimate claims expense	(408,038)	-	-	(408,038)
Cumulative payments	245,735	-	-	245,735
Outstanding claims liability (undiscounted)	(162,303)	-	-	(162,303)
Discount	12,595	-	-	12,595
Risk margin				(53,430)
Other events				
Other claims				(50,572)
Other risk margin				(11,512)
Outstanding claims liability				(741,295)

2023 \$(000)	Event Financial Year			
	2023	2012	2011	Total
2010-2011 Canterbury earthquake sequence ultimate claims expense estimate				
At end of incident year	-	(611,000)	(11,711,529)	n/a
One year later	-	(893,567)	(11,594,000)	n/a
Two years later	-	(781,034)	(11,121,971)	n/a
Three years later	-	(442,947)	(10,965,420)	n/a
Four years later	-	(455,293)	(10,805,614)	n/a
Five years later	-	(417,165)	(10,823,437)	n/a
Six years later	-	(435,175)	(10,316,320)	n/a
Seven years later	-	(421,149)	(10,609,302)	n/a
Eight years later	-	(457,557)	(10,986,273)	n/a
Nine years later	-	(459,291)	(11,383,580)	n/a
Ten years later	-	(470,831)	(11,488,944)	n/a
Eleven years later	-	(474,927)	(11,771,346)	n/a
Twelve years later		n/a	(11,809,477)	n/a
Current estimate of ultimate claims expense	-	(474,951)	(11,809,477)	(12,284,428)
Cumulative payments	-	449,459	11,420,899	11,870,358
Outstanding claims liability (undiscounted)	-	(25,492)	(388,578)	(414,070)
Discount	-	3,086	47,414	50,500
Risk margin				(49,579)
2023 Upper North Island Weather Events ultimate claims expense estimate				
At end of incident year	(486,036)	-	-	n/a
Current estimate of ultimate claims expense	(486,036)	-	-	(486,036)
Cumulative payments	7,751	-	-	7,751
Outstanding claims liability (undiscounted)	(478,285)	-	-	(478,285)
Discount	28,634	-	-	28,634
Risk margin				(202,514)
Other events				
Other claims				(90,245)
Other risk margin				(28,951)
Outstanding claims liability				(1,184,510)

Settlement of outstanding claims liability

The table below reflects how NHC Toka Tū Ake expects the outstanding claims liability to be settled.

\$(000)	2024			2023		
	Current	Non current	Total	Current	Non current	Total
Outstanding claims liability – central estimate	216,464	385,333	601,797	412,226	491,240	903,466
Risk margin	62,637	76,861	139,498	145,816	135,228	281,044
Total outstanding claims liability	279,101	462,194	741,295	558,042	626,468	1,184,510

3. Premiums and unearned premium liability

Premium income represents premiums collected and paid to NHC Toka Tū Ake by insurance companies (net of discounts), brokers and individuals with EQCover. Premium income is classified as exchange transactions.

Premium income is recognised using the 24ths method to approximate the contract period over which the premiums are earned. The underlying assumption of the 24ths method is that all premiums booked during a particular month can be approximated by an annual policy that incepts during the middle of the month. Premium receivables are reported net of discounts paid to collecting agencies in the Statement of Financial Position. Premiums not earned at balance date are recorded in the Statement of Financial Position as unearned premium liability.

\$(000)	2024	2023
Gross written premiums	909,928	774,425
Less discount to insurers	(22,052)	(19,003)
	887,876	755,422
Movement in unearned premium liability	(34,419)	(143,540)
Total premiums	853,457	611,882
Unearned premium liability at 1 July	(419,852)	(276,311)
Unearned premiums received in the year	(454,270)	(419,852)
Premiums now recognised	419,852	276,311
Unearned premium liability at 30 June	(454,270)	(419,852)

4. Other revenue and other expenses

Other revenue represents reimbursements received from the Crown and Southern Response in relation to the ministerial directive agency agreements received during the year plus other nominal amounts.

On 7 October 2019 NHC Toka Tū Ake entered into an agreement with the Crown that allowed owners of On-sold over-cap properties in Canterbury to apply for an ex-gratia Government payment to have their homes repaired. This process is facilitated by NHC Toka Tū Ake and reimbursed in full by the Crown in arrears after each quarter end, resulting in the revenue offsetting the expenses in full. During the year there were ex-gratia payments totalling \$96 million (2023: \$104 million) paid out to qualifying owners of On-sold properties on behalf

of the Crown. Applications were received during the period August 2019 through to October 2020 and will continue to be settled as applications are processed. On 26 June 2024 a variation to agreement was entered into for the funds to now be reimbursed in advance at each quarter end. This change will take effect starting 1 July 2024 with the NHI Act coming into force.

On 11 October 2019 NHC Toka Tū Ake entered into an agreement with Southern Response whereby NHC Toka Tū Ake acts as agent in managing Southern Response's remaining customers. The costs incurred in fulfilling this contract (refer to Note 8), plus an overhead margin, are reimbursed in arrears after each quarter end, resulting in a margin of \$0.5 million (2023: \$0.6 million). On 26 June 2024 a variation to agreement was entered into for the funds to now be reimbursed in advance at each quarter end.

2024 \$(000)	On-sold agency agreement	Southern Response agency agreement	Other	Total
Reimbursement of expenses	6,799	1,729	-	8,528
Other	-	-	1,297	1,297
Total other revenue	6,799	1,729	1,297	9,825
Expenses	(6,799)	(1,205)	-	(8,004)
	-	524	1,297	1,821

2023 \$(000)	On-sold agency agreement	Southern Response agency agreement	Other	Total
Reimbursement of expenses	8,215	1,654	-	9,869
Other	-	-	33	33
Total other revenue	8,215	1,654	33	9,902
Expenses	(8,215)	(1,092)	-	(9,307)
	-	562	33	595

5. Other receivables and prepayments

Other receivables are recognised at face value less an allowance for expected credit losses (ECL). The majority of other receivables represent receipts for the outstanding On-sold agency agreement and Southern Response agency agreement reimbursements. Other receivables are written off when they are deemed uncollectable.

\$(000)	2024	2023
Other receivables	25,865	30,527
Less: provision for impairment	(3)	(19)
Prepayments	2,379	2,241
GST receivable	6,687	4,956
Total other receivables and prepayments	34,928	37,705

6. Outstanding reinsurance recoveries

Outstanding reinsurance recoveries are the expected reimbursement of claims settlements and claims handling costs that NHC Toka Tū Ake can recover under its reinsurance contracts.

Outstanding reinsurance recoveries received or receivable on paid claims, reported claims not yet paid, claims incurred but not reported (IBNR), and

claims incurred but not enough reported (IBNER) are recognised as revenue in the Statement of Comprehensive Revenue and Expense. They are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. There are differences between the reinsurance recoveries within the actuarial valuation and the Statement of Financial Position due to how reinsurance receipts are deemed to have been recovered.

The amounts that form part of the Statement of Comprehensive Revenue and Expense are represented below:

\$(000)	2024	2023
Gross reinsurance recoveries	26,507	46,810
Impact of discounting	1,101	(2,302)
Total discounted reinsurance	27,608	44,508

The below represents amounts that form part of the Statement of Financial Position:

\$(000)	2024	2023
Gross reinsurance receivable	155,405	183,628
Discounting	(18,713)	(19,814)
Discounted outstanding reinsurance recoveries	136,692	163,814
Current	76,733	72,469
Non-current	59,959	91,345
	136,692	163,814
Outstanding reinsurance recoveries at 1 July	163,814	148,121
Recognised in the year	27,608	44,508
Received during the year	(54,730)	(28,815)
Outstanding reinsurance recoveries at 30 June	136,692	163,814

The reinsurance recoveries relate to the Canterbury earthquakes included within the outstanding claims liability in Note 2, which occurred in the 2010-2011 financial years. The estimated value of reinsurance recoveries is calculated using the same stochastic process as for the ultimate claims costs.

At 30 June 2024, the ultimate expected reinsurance recoveries increased by \$27 million to \$4,930 million.

Cash flow projections for reinsurance recoveries are discounted for the time value of money. The discount is reassessed at the end of each financial year to account for changes to interest rates, payment patterns and settlement periods. At 30 June 2024, the discount for the outstanding reinsurance recoveries was decreased by \$1 million to \$19 million. The assumptions used in estimating the recoveries can be found in Note 2.

7. Claims expense

Claims expenditure represents payments for claims, claims handling costs, the movement in the liability for outstanding claims and the associated risk margin.

Current year claims expense comprises amounts paid (or estimates of amounts payable) in relation to natural disaster damage sustained during the current financial year. Prior years' claims expense relates to amounts paid (or estimates of amounts payable) where the damage occurred in prior financial years. Changes to prior years' claims expense occurs when the actual or estimated settlement values of claims changed during the current financial year.

\$(000)	2024			2023		
	Current year	Prior years	Total	Current year	Prior years	Total
Gross claims expense – undiscounted	(38,096)	(19,641)	(57,737)	(714,790)	(153,227)	(868,017)
Discounting – on total outstanding claims	2,245	(16,058)	(13,813)	31,214	1,571	32,785
Gross claims expense – discounted	(35,851)	(35,699)	(71,550)	(683,576)	(151,656)	(835,232)

Claims handling expenses are costs incurred by NHC Toka Tū Ake in relation to the processing and administration of claims received. The following tables show the costs related to the 2010-2011 Canterbury earthquake sequence and the 2023 Upper North Island Weather Events.

\$(000)	2024	2023
2010-2011 Canterbury earthquake sequence claim handling expenses		
Employee remuneration and benefits	(11,888)	(10,522)
Claims administrators and contractors	(4,190)	(5,361)
Engineers and consultants	(3,389)	(2,775)
Other costs	(1,558)	(1,943)
Call centres and claims management – third party	(840)	(908)
Office rental	(399)	(657)
Superannuation contribution costs	(356)	(319)
Fees paid to the auditor		
Audit fees (refer Note 8)	(162)	(137)
Travel and accommodation	(134)	(108)
Depreciation	-	(1)
Bad debts	(56)	1,734
Total Canterbury claims handling expenses	(22,972)	(20,997)

\$(000)	2024	2023
2023 Upper North Island Weather Events claim handling expenses		
Claims assessment fees	(59,226)	(3,147)
Engineers and consultants	(419)	(473)
Fees paid to the auditor		
Audit fees (refer Note 8)	(44)	(19)
Travel and accommodation	(13)	(108)
Employee remuneration and benefits	-	(55)
Call centres and claims management – third party	-	(44)
Total Upper North Island claim handling expenses	(59,702)	(3,846)

8. Operating expenses

The operating expenses of NHC Toka Tū Ake are allocated across recovery, resilience, risk financing and readiness. Expenditure is allocated to these functions by directly attributing costs where possible. Indirect costs are apportioned based on the average number of full-time equivalents employed during the financial year and are allocated between recovery, resilience, risk financing and readiness.

Costs grouped by expense type

\$(000)	Note	2024	2023
Employee remuneration and benefits		(26,172)	(22,365)
Project costs (i)		(11,367)	(6,716)
Outsourced service providers (ii)		(11,121)	(9,377)
Technology costs		(9,000)	(10,172)
On-sold agreement expenses	4	(6,799)	(8,215)
Consultants and contractors		(5,746)	(8,388)
Grants for research		(5,196)	(5,741)
GeoNet operating costs (iii)		(4,000)	(11,900)
Other administration costs		(3,719)	(4,068)
Amortisation of intangibles		(3,407)	(2,748)
Sponsorship		(1,334)	(987)
Southern Response agreement expenses	4	(1,205)	(1,092)
Advertising and publicity		(811)	(862)
Superannuation contribution costs		(752)	(658)
Depreciation		(650)	(758)
Commissioners' fees		(413)	(391)
Fees paid to the auditor*			
Audit of the financial statements		(247)	(260)
Gain/loss on disposals		(12)	(76)
Bad debts		16	11
Total operating expenses		(91,935)	(94,763)

(i) Project costs include continued maintenance of our existing technology platforms, together with costs associated with updating our systems and processes to align with the requirements of the new NHI Act and resulting name change, which comes into force from 1 July 2024.

(ii) Outsourced service provider costs relate to outsourced IT functionality as well as third-party agency costs.

(iii) GeoNet's costs are lower than 2023 due to GeoNet securing a Crown appropriation for 2023/24, reducing NHC Toka Tū Ake's contribution to \$4 million per year.

* Total audit fees include payments to EY for the following:

\$(000)	2024	2023
Audit of the financial statements	(476)	(422)
Agreed upon procedures	-	(18)
Total fees paid to auditors	(476)	(439)

9. Investment revenue

Investment revenue is generated from interest on term deposits for periods of greater than 3 months.

\$(000)	2024	2023
Interest income	10,021	4,561
Total investment revenue	10,021	4,561

10. Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to NHC Toka Tū Ake and the cost of the item can be measured reliably. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset.

Realised gains and losses arising from the disposal of property, plant and equipment are recognised in the Statement of Comprehensive Revenue and Expense in the period in which the transaction occurs.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that the future economic benefits or service potential associated with the item will flow to NHC Toka Tū Ake and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the Statement of Comprehensive Revenue and Expense in the period in which the transaction occurs.

Depreciation

Depreciation is charged on a straight-line basis, over its estimated useful life. The estimated useful lives of different classes of property, plant and equipment are reviewed annually and are as follows:

Furniture and equipment	10 years
Leasehold improvements	6-10 years
Computer hardware	3-10 years

2024 \$(000)	Furniture and equipment	Leasehold improvements	Computer hardware	Work in progress	Total
Cost					
At 1 July 2023	876	1,101	2,959	8	4,944
Additions	32	43	503	2,924	3,502
Disposals	(1)	(289)	(388)	-	(678)
Transfers	-	-	8	(8)	-
At 30 June 2024	907	855	3,082	2,924	7,768
Accumulated depreciation					
At 1 July 2023	(210)	(889)	(2,443)	-	(3,542)
Depreciation charge	(89)	(189)	(372)	-	(650)
Disposals	-	285	381	-	666
Transfers	(7)	-	7	-	-
At 30 June 2024	(306)	(793)	(2,427)	-	(3,526)
Carrying amounts at 30 June 2024	601	62	655	2,924	4,242

2023 \$(000)	Furniture and equipment	Leasehold improvements	Computer hardware	Work in progress	Total
Cost					
At 1 July 2022	1,518	1,661	3,886	10	7,075
Additions	104	59	242	8	414
Disposals	(754)	(619)	(1,171)	-	(2,544)
Transfers	8	-	2	(10)	-
At 30 June 2023	876	1,101	2,959	8	4,944
Accumulated depreciation					
At 1 July 2022	(807)	(1,365)	(3,080)	-	(5,252)
Depreciation charge	(90)	(143)	(525)	-	(758)
Disposals	687	619	1,162	-	2,468
At 30 June 2023	(210)	(889)	(2,443)	-	(3,542)
Carrying amounts at 30 June 2023	666	212	516	8	1,402

11. Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairment losses.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific knowledge or understanding, is recognised in the Statement of Comprehensive Revenue and Expense when incurred. NHC Toka Tū Ake does not undertake development of new products or processes other than software referred to below.

Software acquisition and development

Software development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and NHC Toka Tū Ake has control of the use of the asset and intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the Statement of Comprehensive Revenue and Expense when incurred.

Capitalised software development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that the future economic benefits or service potential associated with the item will flow to NHC Toka Tū Ake and the cost of the item can be measured reliably.

The costs of day-to-day servicing of intangible assets are recognised in the Statement of Comprehensive Revenue and Expense in the period in which the transaction occurs.

Amortisation

Intangible assets are amortised on a straight-line basis, over their estimated useful life. The estimated useful lives of different classes of intangible assets are reviewed annually and are as follows:

Software	3-5 years
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Impairment of intangible assets

The carrying amounts of intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in the Statement of Comprehensive Revenue and Expense.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is amortised replacement cost for an asset where the future economic benefits or service potential of the asset:

- are not primarily dependent on the asset's ability to generate net cash inflows; or
- NHC Toka Tū Ake would, if deprived of the asset, replace its remaining future economic benefits or service potential.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

2024 \$(000)	Software	Work in progress	Total
Cost			
At 1 July 2023	16,997	-	16,997
Additions	-	-	-
Disposals	-	-	-
Transfers	-	-	-
At 30 June 2024	16,997	-	16,997
Accumulated amortisation			
At 1 July 2023	(7,280)	-	(7,280)
Amortisation charge	(3,407)	-	(3,407)
Disposals	-	-	-
At 30 June 2024	(10,687)	-	(10,687)
Carrying amounts at 30 June 2024	6,310	-	6,310

2023 \$(000)	Software	Work in progress	Total
Cost			
At 1 July 2022	41,853	-	41,853
Additions	-	3,284	3,284
Disposals	(28,140)	-	(28,140)
Transfers	3,284	(3,284)	-
At 30 June 2023	16,997	-	16,997
Accumulated amortisation			
At 1 July 2022	(32,675)	-	(32,675)
Amortisation charge	(2,748)	-	(2,748)
Disposals	28,143		28,143
At 30 June 2023	(7,280)	-	(7,280)
Carrying amounts at 30 June 2023	9,717	-	9,717

12. Trade and other payables

Trade and other payables are recognised when NHC Toka Tū Ake becomes obliged to make future payments resulting from the purchase of goods and services. They are initially recognised at fair value and subsequently measured at amortised cost. They are not discounted due to their short-term nature.

\$(000)	2024	2023
Trade payables and accruals	(14,239)	(16,913)
Tax on reinsurance	(15,767)	(11,436)
Total trade and other payables	(30,006)	(28,349)

13. Short-term liabilities

Short-term liabilities are for wages and salaries (including non-monetary benefits), annual leave and sick leave recognised in surplus or deficit during the period in which the employee rendered the related services and are generally expected to be settled within 12 months of the reporting date. The liabilities for these short-term benefits are measured at the amounts expected to be paid when the liabilities are settled. The remaining amount relates to a make-good provision for restoring leased premises to their original condition at the end of the lease term and finance lease liability.

\$(000)	2024	2023
Employee entitlements	(3,544)	(3,016)
Make good provision	(199)	(127)
Finance lease liability	(6)	(40)
Total short-term liabilities	(3,749)	(3,183)

14. Financial risks

Credit risk

NHC Toka Tū Ake limits its exposure to very large-scale natural disasters through the purchase of reinsurance. NHC Toka Tū Ake is exposed to the credit risk of a reinsurer defaulting on its obligations. Note 19 explains how NHC Toka Tū Ake minimises the risk of default. NHC Toka Tū Ake reduces credit risk by placing reinsurance with counterparties who have a credit rating of AAA to A- from Standard and Poor's (i.e. from "extremely strong" to "strong") and limiting its exposure to any one reinsurer or related group of reinsurers. When credit ratings are not available from Standard and Poor's NHC Toka Tū Ake assess the equivalents from AM Best.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

2024									
\$(000)	AA+	AA	AA-	A+	A	A-	Other	Not rated	Total
Cash and cash equivalents	-	-	142,814	-	-	-	-	-	142,814
Investments	-	-	136,419	-	-	-	-	-	136,419
Reinsurance recoveries	492	4,976	77,190	26,122	12,357	15,556	-	-	136,693
Premiums receivable	-	77,719	20,933	35,364	17,413	27,224	37	-	178,690
Other receivables*	-	-	-	-	-	-	-	25,862	25,862
Total	492	82,695	377,356	61,486	29,770	42,780	37	25,862	620,478

2023									
\$(000)	AA+	AA	AA-	A+	A	A-	Other	Not rated	Total
Cash and cash equivalents	-	-	192,189	-	-	-	-	-	192,189
Investments	-	43,000	117,775	-	-	-	-	-	160,775
Reinsurance recoveries	655	6,503	68,540	56,123	11,221	20,772	-	-	163,814
Premiums receivable	-	73,787	49,633	4,443	18,133	15,805	198	-	161,999
Other receivables*	-	-	-	-	-	-	-	30,508	30,508
Total	655	123,290	428,137	60,566	29,354	36,577	198	30,508	709,285

* The recoverability risk is low since the majority of this balance is from government departments.

The Insurance Prudential Supervision Act 2010 (IPSA) repealed the Insurance Companies (Ratings and Inspection) Act 1994 from 7 March 2012. The IPSA does not require NHC Toka Tū Ake to obtain a licence. NHC Toka Tū Ake is therefore not obliged by the current insurance legislation to hold a credit rating.

Liquidity risk

Liquidity risk is the risk of having insufficient liquid funds available to meet claims, and trade and other payables as they fall due.

Financial liabilities consist of trade and other payables. It is expected that the majority of trade payables outstanding at balance date will be settled within 12 months (2023: 12 months).

15. Unexpired risk liability

NHC Toka Tū Ake assesses the adequacy of the unearned premium liability by applying the liability adequacy test. The liability adequacy test determines whether unearned premiums at balance date are sufficient to cover future claims arising from existing contracts.

The liability adequacy test compares the current estimate of the present value of the expected future cash flows relating to claims arising from the rights and obligations under current insurance contracts (with an additional risk margin included to allow for the inherent uncertainty) to the value of the unearned premium liability. If the value of the unearned premium liability is exceeded, the movement is recognised in the Statement of Comprehensive Revenue and Expense and recorded in the Statement of Financial Position as an unexpired risk liability.

Unexpired risk reserve

Premium liabilities are an estimate of the total value of net liabilities associated with the run-off of the unexpired risks as at 30 June 2024. Premium liabilities comprise several components:

- The net of reinsurance cost of future claims arising from unexpired risks
- The claims handling expenses for the future claims arising from unexpired risks
- The cost of policy administration for the run-off of unexpired risks
- The cost of reinsurance cover for the unexpired risks.

The estimate is set at a 75% Probability of Adequacy (PoA) and discounted for the time value of money.

If the premium liabilities exceed the unearned premium reserve (UPR), an additional unexpired risk reserve is required to make up the extent of the shortfall. As at 30 June 2024 the UPR was \$454 million, which is less than the premium liabilities of \$559 million (at 75% PoA). Therefore, an additional unexpired risk reserve of \$105 million is required (2023: \$13 million). The premium liabilities this year were determined by taking into account modelling of potential losses from earthquake, volcanic activity, tsunami and landslip/flood/storm, whereas in prior years modelling of volcanic activity and tsunami losses were not available. The change in methodology caused the significant increase in the additional unexpired risk reserve.

The unexpired risk liability was determined as follows:

Calculation of deficiency \$(000)	2024	2023
Cost of future claims from unexpected risks, undiscounted – central estimate	401,282	258,552
Administration and reinsurance costs for unexpired risks	318,807	263,991
Reinsurance recoveries, undiscounted	(135,694)	(74,947)
Net premium liabilities, undiscounted – central estimate	584,395	447,596
Discounting	(25,043)	(14,980)
Net premium liabilities, discounted – central estimate	559,352	432,616
Risk margin	-	-
Net premium liabilities	559,352	432,616
Unearned premium liability	(454,270)	(419,852)
Net deficiency	105,082	12,764
\$(000)	2024	2023
Unexpired risk liability at 1 July	12,764	-
Movement for the year	92,318	12,764
Unexpired risk liability at 30 June	105,082	12,764

The risk margin on premium liabilities for 2024 is 0% (2023: 0%). NHC Toka Tū Ake has adopted a 75% probability of adequacy for the premium liability balance. The risk margin for 2024 is \$0 (2023: \$0) because the distribution of potential claims is heavily skewed and, consequently, the central estimate (mean) outcome is greater than the 75th percentile.

Sensitivity analysis

Sensitivity analyses were carried out on economic assumptions, including inflation, discount rates and demand surge. The result of these analyses produced results that were relatively immaterial compared to the key parameters detailed above. Consequently, this analysis has not been reproduced for this valuation.

16. Commitments

The below tables reflect the committed costs that are not included in the Statement of financial position.

2024 \$(000)	Reinsurance contracts	Research and sponsorship	IT & data contracts	Building leases	Total
Operating commitment					
Not later than one year	391,264	10,164	7,265	1,504	410,197
Later than one year but not later than two years	20,034	2,776	1,469	1,441	25,720
Later than two years but not later than five years	18,364	1,016	-	1,606	20,986
Later than five years	-	-	-	4,730	4,730
Total commitment	429,662	13,956	8,734	9,281	461,633

2023 \$(000)	Reinsurance contracts	Research and sponsorship	IT & data contracts	Building leases	Total
Operating commitment					
Not later than one year	362,350	3,532	10,986	1,329	378,197
Later than one year but not later than two years	24,728	1,549	6,986	692	33,954
Later than two years but not later than five years	47,395	293	552	1,429	49,668
Later than five years	-	187	-	-	187
Total commitment	434,473	5,559	18,525	3,450	462,006

17. Involvement with unconsolidated structured entities

In the year ended 30 June 2023, NHC Toka Tū Ake sponsored the establishment of a special purpose reinsurance vehicle (SPRV) in Singapore, Totara Re, which was incorporated on 13 April 2023. The establishment costs have been spread over the life of the catastrophe bond within these financial statements. NHC Toka Tū Ake is considered to sponsor another entity if, in addition to ongoing involvement with the entity, it had a key role in establishing that entity or in bringing together relevant counterparties so the transaction that is the purpose of the entity could occur.

Totara Re is a structured securitisation entity as the use of binding arrangements predetermines the narrow scope of its relevant activities, and voting rights relate only to administrative tasks. The insurance-linked securitisations transfer pre-existing insurance risk to investors in Totara Re, through the issuance of insurance-linked securities to the market. In insurance-linked securitisations, Totara Re assumes the insurance risk from NHC Toka Tū Ake through reinsurance contracts. Totara Re retains the issuance proceeds as collateral, which are invested in investment-grade securities. NHC Toka Tū Ake is not exposed to variability of benefits from the performance of the securitisation vehicle. Interest earned is returned to the investors based on performance of the investment-grade securities.

The purpose of sponsoring this entity was to transfer natural hazard insurance risk from NHC Toka Tū Ake to Totara Re through a collateralised reinsurance agreement and to expand and diversify its sources for risk capital. On this basis, it is determined that the transfer of risk creates variable returns for the investors in Totara Re rather than NHC Toka Tū Ake and as such control does not sit with NHC Toka Tū Ake.

NHC Toka Tū Ake entered into a four-year reinsurance agreement with Totara Re with the value of \$225 million cover at an initial attachment point of \$2 billion on 1 June 2023. The reinsurance premiums paid to Totara Re cover the risk premium and operating costs of the SPRV and are paid in arrears at the end of the quarter. Totara Re has no ability to enter into any other reinsurance agreements with other parties and is currently limited to the \$225 million cover with NHC Toka Tū Ake. In April 2024, the Board of NHC Toka Tū Ake agreed to increase the attachment point of the catastrophe bond to \$2.101 billion from 1 June 2024, following the first annual reset of the bond. The increase in the attachment point was driven by increased modelled exposures covered by the reinsurance contract. The increased attachment point has not resulted in any change to the premiums to be paid.

In a natural hazard event, income from the structured entity includes reimbursement for costs incurred by NHC Toka Tū Ake covered by the reinsurance agreement. During the year, there were no qualifying events for which NHC Toka Tū Ake received any income from the Totara Re (2023: nil).

There have been no assets transferred to unconsolidated structured entities during the year.

There may be a delay between when a loss occurs and when payment is made under the reinsurance agreement at the end of the contract term. NHC Toka Tū Ake has a Crown Liquidity Facility with the Treasury

to manage any potential timing mismatch between a triggering event and when the proceeds from a loss occurrence would be transferred to the Natural Hazard Fund.

The following table shows NHC Toka Tū Ake interests in and maximum exposure to loss from Totara Re:

\$(000)	2024			2023		
	Total assets	Total liabilities	Maximum exposure to loss*	Total assets	Total liabilities	Maximum exposure to loss*
Insurance-linked securitisations	2,110	1,674	225,000	3,432	1,641	225,000
Total	2,110	1,674	225,000	3,432	1,641	225,000

* For the purpose of this disclosure, maximum exposure to loss amounts does not consider the risk-reducing effects of collateral or other credit enhancements and has been determined as using the value of the collateralised bond.

18. Natural Disaster Fund and equity

The Natural Disaster Fund (NDF) is managed in accordance with section 13(3) of the EQC Act, which states: “All money in bank accounts established by the Commission, and all investments and other assets of the Commission, shall be deemed to form part of the Fund”.

The purpose of the NDF is to make sure that claims for damage by people with home insurance can be paid out in the event of a natural disaster. Under the EQC Act we are required to administer the NDF to protect its value, including through the investment of money held in the fund. The EQCover levies paid as part of home

insurance premiums are deposited in the NDF. NHC Toka Tū Ake then uses the money in the NDF to operate under the Act. This includes:

- settling claims made to NHC Toka Tū Ake
- purchasing reinsurance from international financial markets
- meeting the costs of administering the EQCover scheme
- improving understanding of natural hazard risk and how to reduce it by funding research and education.

Capitalised reserves

1,500,000,000 ordinary shares of \$1.00 each deemed to have been issued and paid up in full from the Fund on 1 October 1988.

Capital management

The NDF comprises retained surpluses, deficits and capitalised reserves. NHC Toka Tū Ake is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings (of which NHC Toka Tū Ake has an exemption), acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

NHC Toka Tū Ake prudently manages reinsurance, revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure it effectively achieves its objectives and purpose, while remaining a going concern.

Solvency

NHC Toka Tū Ake has exposure to liabilities estimated to be in excess of its assets. In the event that assets are insufficient to meet its liabilities, the Crown, under Section 16 of the EQC Act and Section 112 of the NHI Act, is obliged to provide sufficient funds to meet the shortfall (refer also to Note 1).

19. Insurance risks

NHC Toka Tū Ake must accept exposure to claims for the natural disasters as specified in the EQC Act. The premium level set by the Earthquake Commission Amendment Regulations 2022 is 16 cents for every \$100 of sum insured up to a maximum of \$480 per dwelling. The change to the premium level took place from 1 October 2022. Prior to this, the premium level was 20 cents for every \$100 of sum insured up to a maximum of \$300 per dwelling.

Reinsurance programme

NHC Toka Tū Ake limits its exposure to very large-scale natural disasters through the purchase of reinsurance with the objectives of:

- minimising the overall cost to secure mandated protection to New Zealand homeowners
- varying the reinsurance agreement terms and conditions as appropriate should the Crown determine a different risk profile under the Natural Hazards Insurance scheme
- minimising the risk of default among reinsurers by limiting its exposure to any one reinsurer or related group of reinsurers, by applying the following policies:
 - setting a target for the overall programme at placement that achieves a weighted average score of Standard and Poor's (S&P) financial strength rating of A or better

- normally placing reinsurance with organisations that have the following security ratings:
 - S&P: AAA to A- (i.e. from “extremely strong” to “strong”), or
 - AM Best: A++ to A- (i.e. from “superior” to “excellent”)
- for reinsurance contracts supported by Insurance Linked Securities (ILS) vehicles, ensuring that the vehicle is:
 - established in a jurisdiction that provides regulatory safeguards to protect NHC Toka Tū Ake’s financial position
 - fully collateralised on inception of the transaction and maintains sufficient capital to meet the obligations of agreements with NHC Toka Tū Ake throughout the duration of the contract
- diligent examination by management of the case for inclusion of a non-complying reinsurer, with the assistance of its reinsurance broker, and obtaining Board approval of any decision to include such reinsurer
- ensuring that any one reinsurer does not hold more than 20% of the total reinsurance programme.

Crown underwriting fee

Pursuant to Section 17 of the EQC Act, NHC Toka Tū Ake is required to pay a fee to the Crown, as determined by the Minister of Finance, for the guarantee provided under Section 16 of the EQC Act (refer Notes 1 and 18).

The Minister of Finance determined that \$10 million be paid for the year ended 30 June 2024 (2023: \$10 million).

Interest rate risk and credit risk

No direct exposure to interest rate risk results from the financial assets or liabilities arising from insurance or reinsurance contracts. Financial assets and liabilities arising from insurance or reinsurance contracts are stated in the Statement of Financial Position at the amount that best represents the maximum credit risk exposure at balance date. Refer to Note 14 for concentrations of credit risk.

Research and education

NHC Toka Tū Ake seeks to indirectly reduce the extent of claims incurred by NHC Toka Tū Ake through research and public education programmes.

Outward reinsurance premium expense

Premiums paid to reinsurers are recognised by NHC Toka Tū Ake as outward reinsurance premium expense in the Statement of Comprehensive Revenue and Expense from the attachment date over the period of indemnity of the reinsurance contract, in accordance with the expected pattern of the incidence of risk. Prepaid reinsurance premiums are included in outward reinsurance expense asset in the Statement of Financial Position and is paid quarterly in advance of the coverage period. Premiums for reinsurance contracts supported by Insurance Linked Securities (ILS) vehicles is paid quarterly in arrears of the coverage period.

20. Contingent liabilities

A contingent liability is disclosed when a possible obligation arises from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of NHC Toka Tū Ake. A contingent liability is also disclosed when a present obligation arising from past events is not recognised because it is not probable that settlement of the obligation will result in a cost to NHC Toka Tū Ake, or the amount of the obligation cannot be measured with sufficient reliability.

NHC Toka Tū Ake received around 469,000 claims from the 2010-2011 Canterbury earthquake sequence, on which some disputes and the possibility of litigation is inevitable. As at 30 June 2024, 31 open litigation cases (2023: 24) are currently in process. The expectation of costs from disputes and litigation under the EQC Act has been considered by the actuaries in deriving the outstanding claims liability as at 30 June 2024. As at 30 June 2024 the current number of Canterbury litigation cases is 18 (2023: 19).

21. Employee and Board remuneration

The table below contains the total remuneration paid or payable to NHC Toka Tū Ake employees in excess of \$100,000 within a financial year. Total remuneration includes gross salary, wellbeing benefit, and employee and employer superannuation contributions.

	2024	2023
\$100,000 - \$109,999	22	24
\$110,000 - \$119,999	17	17
\$120,000 - \$129,999	39	28
\$130,000 - \$139,999	31	27
\$140,000 - \$149,999	26	23
\$150,000 - \$159,999	22	14
\$160,000 - \$169,999	10	6
\$170,000 - \$179,999	12	13
\$180,000 - \$189,999	8	7
\$190,000 - \$199,999	7	7
\$200,000 - \$209,999	3	2
\$210,000 - \$219,999	4	6
\$220,000 - \$229,999	3	2
\$230,000 - \$239,999	3	3
\$240,000 - \$249,999	2	1
\$250,000 - \$259,999	1	1
\$260,000 - \$269,999	1	-
\$270,000 - \$279,999	1	1
\$280,000 - \$289,999	1	2
\$290,000 - \$299,999	1	1
\$310,000 - \$319,999	-	1
\$320,000 - \$329,999	2	-
\$330,000 - \$339,999	-	1
\$340,000 - \$349,999	1	-
\$450,000 - \$459,999	-	1
\$480,000 - \$489,999	1	-
Total	218	188

When remuneration bands are not shown in the table above, this represents that no employees were paid within those bands during the current or previous financial year.

In addition to the above, and in accordance with confidential contractual agreements, 10 (2023: 3) payments totalling \$228,717 (2023: \$93,624) were made during the year upon cessation of an individual's employment.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to the KiwiSaver and the State Sector Retirement Savings Scheme (SSRSS) are accounted for as defined contribution superannuation schemes and are recognised as an expense in the Statement of Comprehensive Revenue and Expense on an accruals basis.

Employee entitlements

Employee entitlements include salaries and wages, annual leave, long service

leave and other similar benefits which are recognised in the Statement of Comprehensive Revenue and Expense when they accrue to employees. Employee entitlements to be settled within 12 months are reported at their undiscounted nominal value. The liability for long service leave is calculated based on the present value of likely future entitlements accruing to employees, based on years of service, years to entitlement, the likelihood that employees will reach entitlement and contractual entitlements information.

Key management personnel

NHC Toka Tū Ake is a Crown Entity of the New Zealand Government and all significant transactions with the Crown result from ministerial directions given under the EQC Act or Section 103 of the Crown Entities Act 2004. Key management personnel for NHC Toka Tū Ake include all Commissioners, the Chief Executive and the Executive Leadership Team. The total remuneration of key management personnel and the number of individuals on a full-time equivalent (FTE) basis receiving remuneration from NHC Toka Tū Ake are:

\$(000)	2024 Remuneration	2024 FTE	2023 Remuneration	2023 FTE
Commissioners	414	9	386	10
Executive Leadership Team	3,112	9	3,077	9
Total	3,526	18	3,463	19

No payments were made upon cessation of employment of key management personnel during the year (2023: nil).

Board remuneration

The total value of remuneration paid or payable to each Commissioner during the year was:

\$(000)	2024	2023	Appointed	Term concluded
C Black	79	72	5 April 2022	
R Dyson	50	45	1 May 2021	
A Hercus	44	40	1 March 2020	
F Wilson	40	36	1 March 2020	
E Seville	44	40	1 July 2018	
S Lewis	44	40	1 March 2020	
Z Jalil	40	36	1 July 2022	
A Brunner	40	5	10 May 2023	
A James	33	36		30 April 2024
E Dobson	-	25		28 February 2023
J Apiata - Future Director	-	10		30 June 2023
Total	414	386		

Indemnity and insurance disclosure

NHC Toka Tū Ake has provided a deed of indemnity to each Board member in relation to certain activities undertaken in the performance or intended performance of Commission functions.

NHC Toka Tū Ake effected and maintained “Directors’ and Officers’ Liability” and “Professional Indemnity” insurance cover during the financial year, in respect of the liability or costs of any Board member, or employee.

22. Major budget variances

Statement of comprehensive revenue and expense

Gross earned premiums

The gross earned premiums were higher than the budget by \$35 million due to cash receipts being higher than anticipated under the \$300,000 building cap (2023/24 was the first full year at this cap).

Outward reinsurance premium expense

The variance of \$60 million lower to budget is due to the structure of the confirmed programme.

Reinsurance and other recoveries

Reinsurance and other recoveries were higher than budget by \$22 million, reflecting an increase in the expected level of reinsurance recoveries from the 2010-2011 Canterbury earthquake sequence following an increase in the central estimate for the September 2010 Canterbury event.

Claims expense

The variance is mainly due to an increase of approximately \$137 million in claim provisions for Canterbury and Kaikōura. This was partly offset by a \$2 million reduction in provisions for the Upper North Island Weather Events and a \$117 million adjustment in the risk margin. As a result, there was a net increase of \$17 million.

Movement in unexpired risk liability

The unexpired risk liability increased by \$92 million, driven by an increase in the net premium liability from \$448 million to \$584 million. This increase is largely due to the incorporation of two new hazards, tsunami risk (\$171 million) and volcanic risk (\$12 million), into the premium liabilities. Reliable modelling of these hazards had not previously been available.

Other operating expenses

Lower operating expenses by \$22 million were mainly due to lower consultancy and project spend, together with lower GeoNet operating costs. Project costs include continued investment in our existing technology platforms, together with costs associated with updating our systems and processes to align with the requirements of the new Natural Hazards Insurance Act 2023 and resulting name change from 1 July 2024. Other expenses relate to costs incurred managing the On-sold over-cap programme on behalf of the Crown and managing Southern Response's remaining claims which are reimbursed to NHC Toka Tū Ake.

Investment activities

Investment revenue is \$16 million higher than budget due to higher term deposit balances throughout the year than forecast, together with higher interest rates.

Statement of financial position

Outstanding reinsurance recoveries

Reinsurance receivables balance is \$42 million higher than budget, due mainly to the increase in the gross ultimate claims cost for Canterbury.

Investments

The Investments balance is for funds held in bank term deposits to access higher interest returns. There were higher funds placed in term deposits at the end of the 2024 financial year than expected by \$136 million.

Outstanding claims liability

The outstanding claims liability is \$157 million higher than budgeted. This is primarily due to increases in provisions for Canterbury claims.

Unexpired risk liability

The increase in unexpired risk liability to \$105 million represents the increased net premium liability in comparison to the unearned premium liability.

Statement of cash flows

On-sold agreement receipts and payments

Slower On-sold claim settlements during the year has resulted in a lower level of reimbursements and payments during the year. Delays in settling claims and completing repairs have been driven by increased demand in the construction industry, building supply chain issues and delays.

Outward reinsurance

This outward reinsurance expense was lower than the budget due to the reduced premiums within the confirmed structure.

Sale of investments

Higher bank term deposits matured during the year.

Purchase of property, plant and equipment

There was higher capital spend on property, plant and equipment driven by the fit-out of the new Wellington Office during the year.

Acquisition of investments

Increased funds invested in bank term deposits during the year.

23. Events after balance sheet date

Our new governing legislation, the Natural Hazards Insurance Act 2023 (NHI Act) came into effect on 1 July 2024, replacing the Earthquake Commission Act 1993. It is a major milestone in modernising the Natural Hazards Insurance scheme. Our new trading name is Natural Hazards Commission Toka Tū Ake and now reflects the broad range of hazards that we cover. In line with our organisational name change under the NHI Act, our Natural Hazards Insurance scheme has been renamed and is now NHCover rather than EQCover. All claims for loss before 1 July 2024 will continue to be managed under the EQC Act.

The NHI Act will also bring changes to our financial records and reporting for the financial year ending 30 June 2025.

- The NHI Act does not provide the discretion for a premium discount. The premium discount for insurers who receive premium discounts will therefore not continue with the commencement of the new NHI Act.
- NHC Toka Tū Ake is no longer required to pay the Crown underwriting fee of \$10 million.
- On 1 July 2024 all shares in the Earthquake Commission are cancelled. Therefore, the \$1.5 billion share capital will be transferred and recorded as Crown contribution within the Statement of Changes in Equity for the financial year ending 30 June 2025.
- The Natural Disaster Fund is renamed as the Natural Hazard Fund. The Fund requires separate financial records from NHC Toka Tū Ake. Financial transactions that do not meet the purpose of the Fund are to be separately disclosed. This currently includes the On-sold agency and Southern Response agency agreements.

Ministerial Directions

Ministerial Directions to NHC Toka Tū Ake, current as at 30 June 2024, are as follows:

Topic of direction	Description	Date of direction
Damage apportioned to unclaimed events	A direction allowing NHC Toka Tū Ake to make payment in relation to building damage apportioned to events that formed part of the Canterbury Earthquake Sequence, even where the insured person did not notify NHC Toka Tū Ake of damage for each event in the sequence.	19 December 2012
Amendment to previous direction	A direction amending the direction effective 19 December 2012 such that no excess applies in respect of the unclaimed event.	2 December 2013
Land damage apportioned to unclaimed events	A direction allowing NHC Toka Tū Ake to pay out on land damage apportioned to events that formed part of the Canterbury Earthquake Sequence, even where the insured person did not notify NHC Toka Tū Ake of damage for each event in the sequence.	20 October 2015
Administering the On-sold programme	A direction to administer the support package established by the Crown for qualifying owners of on-sold properties. The expiry date for this direction was removed on 20 June 2024.	7 October 2019
Acting as agent for Southern Response Earthquake Services Limited (SRES)	A direction to NHC Toka Tū Ake that NHC Toka Tū Ake may act as agent for SRES for the purposes of administering open insurance claims against SRES in respect of damage arising from the Canterbury earthquakes, being claims that exceed, or may exceed, the cap. In performing the additional function under this direction, NHC Toka Tū Ake must act in accordance with the terms and conditions of the agency agreement dated 21 October 2019 between NHC Toka Tū Ake (as varied by agreement between the parties from time to time following consultation with the Minister). The expiry date for this direction was removed on 20 June 2024.	21 October 2019

Topic of direction	Description	Date of direction
Replacing certain storm water and sewerage services and structures under the Canterbury earthquake sequence	A direction to pay the amount of the damage to, or replace or reinstate (at NHC Toka Tū Ake's option), any storm water and sewerage services and structures appurtenant to them that suffered damage as the direct result of one or more of the 2010/11 Canterbury Earthquake Sequence.	1 July 2021

Directions to support a whole-of-government approach, current as at 30 June 2024 are as follows:

Carbon Neutral Government Programme	A direction from the Minister of State Services and the Minister of Finance sets out requirements for agencies to implement the Carbon Neutral Government Programme from 27 March 2022.	27 March 2022
New Zealand Business Number	A direction from the Minister of State Services and the Minister of Finance that sets out requirements for agencies to implement the NZBN. NHC Toka Tū Ake records NZBNs as part of new supplier registration. Our finance system has a searchable NZBN field. Existing suppliers have had their NZBNs updated wherever possible.	21 August 2018

NHC Toka Tū Ake is also subject to whole-of-government directions relating to functional leadership requirements for ICT, property and procurement.

The foundation from which we stand strong, together.
Ko te tūāpapa e tū pakari ai tātau, kia ngātahi.





**Natural Hazards
Commission**
Toka Tū Ake



**Te Kāwanatanga
o Aotearoa**
New Zealand Government

