

North Island Weather Events implementation plan

Strengthening natural hazard insurance
recovery for New Zealand homeowners

October 2024



**Natural Hazards
Commission**

Toka Tū Ake



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Introduction from the Chief Executive

Tēnā koutou,

A series of severe weather events in the North Island in early 2023 resulted in widespread and complex damage, affecting thousands of homeowners and unexpectedly changing the shape of many communities.

Insurance for natural hazards damage is available in two forms in New Zealand. Part of the damage to homes and land is covered by the Natural Hazards Insurance scheme if the damage was caused by a landslide. Some cover is also provided for land under and immediately around a home if the damage was caused by a storm or flood.

But most of the damage that is caused to houses in a storm or flood falls under private insurance policies. That was the case in 2023, with approximately 8600 claims made under our scheme and over 100,000 claims made under private insurance policies.

We nevertheless wanted to review the way our natural hazards insurance responded to these events for two reasons. First and foremost, because we are always striving to improve and deliver the best service we can for homeowners after a disaster.

We have been using a new model since 2021, in partnership with insurers, that is based on making the claims experience as seamless as possible for homeowners. And secondly because we know weather patterns are changing and it helps us to prepare for possible future events that may raise complex challenges, as these events did.

An opportunity to learn and improve

In late 2023, we commissioned an independent review to evaluate our response to these events, identify where the approach worked well and uncover any areas for improvement.

The review, which is available on our website, found homeowners had a better experience than they did in Canterbury, because they were able to lodge one claim with their insurer and all of their insurance entitlements were sorted out in the background. The vast majority of claims were also settled within agreed timeframes. The review also highlighted the benefits of the community engagement we undertook with insurers, and the additional industry training NHC provided to support more engineers being able to work on claims.

In terms of areas for improvement, the main theme impacting homeowner satisfaction was the experience when making claims for land damage. Areas that can cause frustration include the strict legal limits that apply to the cover for land damage, low awareness of those limits, and the time it takes to process a land claim which can involve a number of technical assessments.

The insights from the review have given us targeted areas to focus on as we look to continuously improve the services we provide. This implementation plan outlines how we'll be applying what we've learned so other homeowners benefit from these improvements in future events.

The plan is based on five focus areas to deliver on the review recommendations. I'm pleased that many of the areas identified in the review are already underway, such as improving homeowner understanding of our cover.

Thank you to all those who took part in the review for your useful insights and ongoing partnership. An updated version of this plan will be published with these details in early 2025.

Ngā mihi nui,



Tina Mitchell

Overview

This plan implements lessons from the January 2023 Auckland floods and the February 2023 Cyclone Gabrielle – the North Island Weather Events.

The Natural Hazards Commission Toka Tū Ake (NHC) commissioned an independent review of how its natural hazards insurance was delivered following these events.

The NHC response to the events was delivered through a partnership established in 2021 with private insurers, who manage claims on behalf of NHC. Homeowners only have to call one organisation – their insurer – to lodge their claims, and the events were the largest to date managed under the model.

What this plan seeks to achieve

This plan sets out a two-year work programme for implementing the findings from the independent review and lessons identified from previous events and scenario planning work.

The plan sets out five focus areas to improve readiness for future events and strengthen natural hazards insurance recovery for New Zealand homeowners:

1. Improving homeowner understanding of NHCover
2. Improving our understanding of homeowner needs during the claims journey
3. Improving current claim processes and support functions
4. Identifying new approaches for complex events
5. Refining and clarifying Natural Disaster Response Model (NDRM) roles and responsibilities

Some of this activity is already in progress, implemented while the event response was underway. Priority activities will occur in 2024-2026, with longer-term initiatives continuing beyond 2026.

Background to Natural Hazards Insurance scheme

The Natural Hazards Insurance scheme is designed to reduce the impact of natural hazards on people, property and the community.

This scheme provides a contribution to the cost of repairing damage caused to insured homes and land following a natural hazard event. The scheme meets claims by working with private insurers to provide a seamless, transparent and responsive process for homeowners. This model is referred to as the Natural Disaster Response Model (NDRM).

We regularly review the insurer model after events and through data and feedback from homeowners so we can continuously improve performance.

The North Island Weather Events in 2023 were the most significant natural hazard events managed under the insurer model since it started in 2021, and involved a large proportion of land claims.

To gather insights on areas for improvement, we commissioned an independent review from MartinJenkins in May 2024, titled *Review of the Natural Disaster Response Model (NDRM) response to the North Island Weather Events 2023*. We refer to this as our North Island Weather Events review.

Our independent North Island Weather Events review

The purpose of the independent review was to evaluate our response, identify where the approach worked well and uncover any areas for improvement.

The review found that settlement timeframes met targets and the model is performing well in many respects. However, there are opportunities to improve.

The 24 recommendations in the review were grouped into four themes:

1. Homeowner experience – while the NDRM was a better operational model overall for homeowners (compared to the Canterbury earthquakes), satisfaction could improve if homeowners had a better understanding of their cover.
2. End-to-end processes – clearer processes for event response could reduce risk and improve efficiency.
3. Approach to land claims assessment – new approaches could simplify existing assessment processes, and further consideration could be given to the efforts and costs to assess claims.
4. Roles – there could be better alignment among the main players – NDRM insurers, NHC Toka Tū Ake, Insurance Council of New Zealand (ICNZ), third-party providers, New Zealand Claims Resolution Service (NZCRS) and councils.

These insights aligned with the findings of our internal event response reviews, and event scenario planning exercises conducted by NHC for an Alpine Fault 8.1 earthquake, Hawke's Bay 7.6 earthquake and a Mt Taranaki Volcanic Eruption.

This implementation plan addresses the themes identified by the review, our internal event response reviews and event planning scenarios.

Summary of North Island Weather Event review recommendations






The review made 24 recommendations. This table summarises the 24 recommendations and identifies which focus area(s) address the recommendation.

No.	Recommendation summary	Focus area
1	Develop and deliver a communications strategy to improve customer (and public) understanding of EQCover (now NHCover).	1, 2
2	Extend the communications strategy to roles that advise customers, such as insurance brokers and those providing mortgages.	1
3	Continue to identify and pilot other process or policy levers that could improve the customer experience, based on evidence of what constitutes good recovery for different customer interests and needs.	2
4	In preparation for large-scale events, consider risk thresholds and have approaches that support speed of settlement agreed in advance.	4
5	Complete the current review of the assurance process to achieve the optimum balance of assurance which the time process requires and reflect a maturing of the partnership.	5 Note: this is being addressed through a separate assurance review
6	Embed the practice of the joint operational policy and process development between EQC (now NHC Toka Tū Ake) and insurers.	5
7	EQC (now NHC Toka Tū Ake) consult insurers on policy interpreting the Act where possible.	5
8	Review current arrangements and processes for event response to reflect the speed required in a fast-moving and ambiguous response situation.	5
9	Undertake exercises, similar to emergency management preparedness, to practise the end-to-end process.	3 Note: this is addressed through our ongoing event scenario exercise programme.
10	Improve usability of Knowledge Hub, including case studies of complex complaints, and continue to co-design with insurers.	3

No.	Recommendation summary	Focus area
11	Clarify ownership of complaints, and the decision-making criteria for a complaint moving from insurers to EQC (now NHC Toka Tū Ake), with a view to improving the experience for customers.	3
12	Further enhance the process where one insurer has the lead for assessment of damage across shared land.	3
13	Continue to develop policies, processes, and practices in 'peacetime'.	4
14	Increasingly share data, including potentially sensitive details, such as location of claims, where this can support speed of settlement.	3
15	Explore how insurers and TPAs can grow and maintain capacity and capability in land claims.	3
16	Continue the initiative where EQC (now NHC Toka Tū Ake) supports training of specialist geotech and land assessors and explore whether scalability and coordination could be improved if EQC (now NHC Toka Tū Ake) manages this resource.	3
17	Consider how the impact of 'adaptations in flight' undertaken during the NIWE can be assessed in relation to speed of settlement and customer satisfaction.	4
18	Continue to work with insurers and TPAs on optimal use of specialist resources and the level of detail required in reports to support efficient decision-making.	3
19	Seek a Ministerial Direction following large-scale events to cover reinstatement value for land claims under a specific threshold.	4
20	Continue to mature the relationships and ways of working that were further developed during the NIWE.	5
21	During 'peacetime', review roles, responsibilities, decision-making rights, and communication for operations during BAU and in the course of an event.	5
22	Engage with ICNZ and NZCRS to agree the optimum value that these relationships and ways of working together can provide to support customer recovery.	5
23	Provide information, guidance and training to local government bodies about the requirements of the Act and the claims process and agree the role local government could play in supporting the claims process during an event.	5
24	Consider the EQC (now NHC Toka Tū Ake) resourcing needs as the model matures and insurers and TPAs develop their claim assessment and management capability.	5



Implementation plan focus areas

-  1. Improving homeowner understanding of NHCover
-  2. Improving our understanding of homeowner needs during the claims journey
-  3. Improving current claim processes and support functions
-  4. Identifying new approaches for complex events
-  5. Refining and clarifying Natural Disaster Response Model (NDRM) roles and responsibilities

Focus area 1: Improving homeowner understanding of NHCover

Why we are doing this?

Purpose of focus area

We want to improve homeowner and community understanding of NHCover and the claims process. Tailored approaches to engage different groups of homeowners, for example, rural and vulnerable homeowners, will support this.

The opportunity for improvement

This focus area will address the following:

- Some homeowners are unclear on the claims process, how claims are managed between NHC Toka Tū Ake and insurers under the NDRM and what to expect following a natural hazard event.
- NHCover is designed as an initial contribution to cover the costs of damage, as opposed to cover for full losses. Some homeowners do not understand the limits of NHCover, and their expectations do not align with scheme cover and entitlements.
- There is an opportunity to improve understanding of NHCover and claims for brokers, those providing mortgages, and other stakeholders assisting homeowners.

Relevant recommendations

- This work addresses NIWE report recommendations 1 and 2.
- It also addresses insights from other event reviews (Nelson/Marlborough weather event in 2022) and proactive strategies NHC Toka Tū Ake has prepared for possible events such as an Alpine Fault earthquake, Central Hawke's Bay earthquake and Mt Taranaki volcanic eruption.

What do we want to achieve?

Our objectives with this work are that:

- homeowners will better understand their NHCover ahead of a natural hazard occurring, including understanding the entitlements and limits to natural hazards cover
- when a natural hazard occurs, homeowners will have an improved understanding of the claim process
- stakeholders will better understand NHCover, including processes and the limitations of land cover, enabling greater community support and communication before and when a natural hazard occurs.

Improving homeowner understanding of NHCover

What has happened so far?

NHC Toka Tū Ake has already begun this work with a significant 'Know Your Cover' campaign delivered in June 2023. This included:

- redesigning and rewriting insurance and claims information, including our website, homeowner factsheets and guides, and new videos
- delivering public education campaigns prompting homeowners to 'Know Your Cover'
- significant media and social media activity
- providing information for homeowners via NDRM insurers' renewal notices for the 2024-2025 period and to stakeholders, including a series of webinars.

Deliverables

We have summarised the six deliverables for this focus area below. Further deliverables will be identified as work is scoped.

1. Confirm current and future 'Know Your Cover' campaign activities deliver on the purpose of this initiative.
2. Measure phase two of 'Know Your Cover' campaign and design phase three.
3. Review relevant public education, event and homeowner communication plans to identify and recommend improvement.
4. Develop a public education campaign with tailored approaches to engage different homeowner groups.
5. Evaluate the effectiveness of refreshed homeowner collateral and web content.
6. Further engagement through NDRM insurers and stakeholders to increase NHCover knowledge of stakeholders assisting homeowners.

Focus area 2: Improving our understanding of homeowner needs during the claims journey

Why are we doing this?

Purpose of focus area

We want to develop a better understanding of homeowner needs during a natural hazard event and their expectations of the claims recovery process. Our understanding will be based on evidence, data and insights. We will analyse this information to support improvements to the homeowner experience of the NHCover claims journey.

The opportunity for improvement

This focus area will address the following:

- Better use of our existing range of data and information from homeowner surveys and other data points to gain insights
- Address gaps in our understanding of what is important for different groups of homeowners by directly asking homeowners (through different channels) what they expect to have a good experience of NHCover claims
- Ultimately, this better understanding of homeowner needs will allow us to make targeted changes that improve the NHCover claims journey experience for homeowners.

Relevant recommendations addressed

- Begins work on NIWE report recommendation 1 and 3
- Also addresses insights from the Nelson/Marlborough weather event review

What do we want to achieve?

Our objectives with this work are:

- developing a better understanding of what is important to different groups of homeowners, including which information and communication is important to them during a natural hazard event
- developing a mechanism to collect insights and turn them into opportunities to improve the homeowner experience
- identifying potential areas of improvement, based on insights, to improve the homeowner claims experience and recovery outcome – this will contribute to focus areas 3 (improving claim processes and support functions) and 4 (identifying new approaches for complex events).

Improving our understanding of homeowner needs during the claims journey

What has happened so far?

NHC Toka Tū Ake has gathered a range of information, including from:

- homeowner satisfaction surveys after an NHCover claim is resolved
- a 'deep dive' into homeowner satisfaction survey feedback
- engagement with each NDRM insurer to discuss improving the homeowner experience, based on insights from homeowner satisfaction surveys
- homeowner experience research and homeowner insights for land claims
- insights from the National Reference Group – an advisory group established after the Public Inquiry into EQC
- a biannual research grant examining homeowner and community impacts from a natural hazard event
- Kaikōura/Hurunui earthquake claims settlement research (2023).

Deliverables

We have summarised the five deliverables for this focus area below. Further deliverables will be identified as work is scoped.

7. Internal stock take of existing evidence and data.
8. Engage each NDRM insurer to discuss how insights from homeowner satisfaction surveys and other evidence may be used to improve the homeowner experience of the claims journey.
9. Review end-to-end NDRM processes to identify improvements and the effectiveness of our support processes for NDRM insurers who are managing homeowners' claim journeys.
10. Develop insights from existing evidence to understand what homeowners expect from an NHCover claims journey, including the role of NHC Toka Tū Ake.
11. Identify gaps in existing evidence and recommend how to address these. This will support delivery of all focus areas, especially focus areas 1 (improving homeowner understanding of NHCover), 3 (improving claims processes and support functions) and 4 (identifying new approaches for complex events).

Focus area 3: Improving claim processes and support functions

Why are we doing this?

Purpose of focus area

We want to ensure claims management processes are as efficient as possible. We want to continuously improve processes to make the best use of resources and support sector capability, so we can improve NHCover claims experiences for homeowners.

The opportunity for improvement

This focus area will address the following:

- There is scope to give NDRM insurers access to more information that will make the claims management process more efficient.
- Land claims can take longer to assess than building claims, and there is opportunity to look for greater efficiencies.
- There are opportunities to improve how we use limited resources, such as technical specialists (e.g. geotechnical engineers).
- There is a need to ensure clarity on ownership of challenges and complaints, so homeowners know when to talk with their NDRM insurer and when to talk with NHC Toka Tū Ake and why.

Relevant recommendations addressed

- Directly addresses NIWE report recommendations 5, 10, 12 and 15
- Begins work relating to NIWE report recommendations 11, 14, 16 and 18
- Also addresses insights from the Nelson/Marlborough weather event review

What do we want to achieve?

Once this work has been completed, we will have:

- processes that enable NDRM insurers to engage and use technical specialist resources more effectively and efficiently when managing NHCover claims
- options for assessing and settling simple land claims promptly to reduce settlement timeframes
- tools, systems and training material, including case studies, that are easy to access and support sector capability development
- identified the industry specialists who can support the NDRM in large and complex events, who we will support to further their NHCover knowledge and NDRM understanding
- an agreed and consistent approach for piloting new NDRM and NHC Toka Tū Ake processes relating to NHCover claims processes.

Improving claim processes and support functions

What has happened so far?

We have begun work to:

- evaluate land claim assessment processes and pilots for improving claim settlement timeframes, such as:
 - improving the geotechnical engineer report process
 - reducing the need for registered valuers to attend properties with low levels of damage
- grow and maintain technical specialist capability, for example, through training and webinars
- review the NDRM assurance framework (addressed through a separate assurance review)
- implement a complaints procedure and become a member of a disputes resolution scheme as required by the Natural Hazards Insurance Act which came into force on 1 July 2024.

Deliverables

We have summarised the six deliverables for this focus area below. Further deliverables will be identified as work is scoped.

12. Identify and recommend improvements for the assessment process for multi-party (shared) land claims.
13. Identify changes to tools and systems that support NDRM insurers with claims information (e.g. Knowledge Hub).
14. Develop an approach for piloting new NDRM and NHC Toka Tū Ake processes relating to NHCover claims processes (including understanding benefits and interactions with NDRM insurers).
15. Implement changes to tools and systems that support NDRM insurers with claims information (e.g. Knowledge Hub).
16. Engage with other government agencies to better understand and support system improvements that enable better sharing of natural hazard event data to improve homeowners' settlement timeframes (e.g. data relating to placards). This will be the initial step in a longer-term piece of work to support ways to improve data sharing between local and central government agencies.
17. Develop an approach to further grow and maintain technical specialists' capability (including engaging with other industries and educating different specialists on NHCover) for example, through training and webinars.

Focus area 4: Identifying new approaches for complex events

Why are we doing this?

Purpose of focus area

We want to ensure the scheme is prepared for a large-scale or complex event response so that homeowners receive a transparent, timely, high-quality and responsive claims process.

The opportunity for improvement

This focus area will address the following:

- Large-scale or complex events can bring unexpected challenges. For example, with two events occurring in quick succession as part of the NIWE, it was challenging to scale assessment resources across all required on-site assessments.
- There is an opportunity to identify innovative event response approaches, such as modelled assessments or coordinated clean-ups. This is linked to focus area 2 (improving our understanding of homeowner needs during the claims journey).

Relevant recommendations addressed

- Directly addresses NIWE report recommendation 4
- Begins to address NIWE report recommendations 13, 17 and 19
- Also addresses insights from event scenarios, including Alpine Fault earthquake, Central Hawke's Bay earthquake and Mt Taranaki volcanic eruption

What do we want to achieve?

Once this work has been completed:

- we will know the range of alternative approaches, such as customer-led assessments and/or using data or online assessment tools, that could improve how we deliver in future events (and understand the benefits, risks and impacts of these)
- we will have identified options for simple and complex lands claims that could be piloted to support changes in assessment of land claims. Options could include simplified assessments using data modelling, drones and online assessment software. This would enable prioritising the use of technical specialists for complex sites.
- ultimately, the NDRM will be better prepared to use alternative approaches that provide better overall recovery outcomes for homeowners, giving them choices for their claim assessment approach and the ability to influence the time to the settlement.

Identifying new approaches for complex events

What has happened so far?

- During Cyclone Gabrielle we explored using LiDAR to understand silt depth and volumes. We also discussed using LiDAR to assist with claims settlement with councils to help their approach to silt clean-up in their areas.
- We have held workshops with technical industry experts to explore alternative options for simple and complex land assessments using existing available data.

Deliverables

We have summarised the four deliverables for this focus area below. Further deliverables will be identified as work is scoped.

18. Identify and investigate a range of alternative approaches, based on insights and learnings from recent events and reviews (including, for example, alternative assessment approaches). This will involve working with NDRM insurers on possible approaches. Ultimately, this will result in analysis and advice for decision-making.
19. Continue to engage with councils on their approaches, in relation to issues that span NHC Toka Tū Ake and councils, such as silt and debris clean-up.
20. Design and test alternative approaches, including considering risk thresholds and approaches (e.g. to support speed of settlement) to ensure we are ready to implement when appropriate.

Focus area 5: Refining and clarifying NDRM roles and responsibilities

Why are we doing this?

Purpose of focus area

We want to ensure there are clear roles and responsibilities for all parties involved in event response under the NDRM so we are effective in the way we respond and make decisions. A coordinated and cohesive approach supports better homeowner outcomes.

We also want to connect with relevant response and recovery agencies to build understanding and awareness of roles and discuss how we can be more coordinated to support impacted homeowners.

The opportunity for improvement

This focus area will address the following:

- There is an opportunity to clarify roles between NHC Toka Tū Ake and NDRM insurers so everyone is clear on responsibilities and decision-making processes in a response, especially when tackling new and emerging issues (e.g. administration of new funds, determining the hazard that has caused damage).
- Improve how we work with response and recovery agencies in an event, including by supporting their understanding of roles in the insurance response.

Relevant recommendations addressed

- Directly addresses NIWE report recommendations 8, 9, 20, 21, 22 and 23
- Begins work on NIWE report recommendations 6, 7 and 24

What do we want to achieve?

Once this work has been completed:

- NHC Toka Tū Ake, ICNZ and NDRM insurers will have a better understanding of roles and decision-making responsibilities in an event response. This clearer understanding will ensure an effective, coordinated response in any future events.
- homeowners, and other agencies and stakeholders involved in an event response, will be clear about how NHC Toka Tū Ake and the NDRM support recovery from an event (i.e. our part of the response and recovery systems)
- there will be improved connections and relationships with communities, the National Recovery Co-ordination Group, response groups and other agencies to improve our understanding of their roles and response structures.

Refining and clarifying NDRM roles and responsibilities

What has happened so far?

We have:

- identified response and recovery forums across government for NHC Toka Tū Ake to connect with and share our NDRM roles and responsibilities during a natural hazard event
- developed a one-year Readiness Engagement Action Plan to connect with councils, Civil Defence Groups and other response and recovery groups to ensure better understanding of the NDRM and NHC Toka Tū Ake
- started engagement with councils to present NHI Act changes and an overview of the NDRM
- participated in the national whole-of-government Exercise Rū Whenua – Alpine Fault.

Deliverables

We have summarised the six deliverables for this focus area below. Further deliverables will be identified as work is scoped.

22. Undertake an internal review and ensure clarity of which roles and responsibilities are needed to support the NHC Toka Tū Ake response.
23. Review the process for decision-making during an event with the focus on more timely decision-making.
24. Review how our responsibilities tie in with ICNZ and NDRM insurers for different events to ensure a cohesive partnership (building on an exercise in November 2024 with NDRM insurers).
25. Review the event response elements of the Readiness Engagement Action Plan for effectiveness and improvement opportunities.
26. Engage with response and recovery forums and groups to educate on NHCover, as well as the NDRM approach for managing impacted homeowners (this will include agencies such as NEMA and Civil Defence Groups).
27. Engage with response agencies, so we can ensure the NHC Toka Tū Ake role in recovery is clear, with a focus on cooperation across the emergency management sector.



**Natural Hazards
Commission**

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