

Review of the Natural Disaster Response Model to the North Island Weather Events 2023

Final Report

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Preface

This report has been prepared for EQC Toka Tū Ake by MartinJenkins (Martin, Jenkins & Associates Ltd). Quality assurance was provided by MartinJenkins Partner Richard Tait.

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Section 1: Introduction

Background and context

EQC Toka Tū Ake role

EQC Toka Tū Ake's (EQC) mission, as set out in its Statement of Intent 2021-25, is to *"reduce the impact on people and property when a natural disaster occurs."* To this end, its first strategic outcome is to *"help New Zealanders to recover after a natural disaster."*¹

EQC delivers this outcome primarily through the management of the government's natural hazard insurance scheme. The scheme, known as EQCover, provides natural disaster insurance for residential property (dwellings and some coverage of land), under the Earthquake Commission Act 1993 (the Act). This legislation will be replaced when the Natural Hazards Insurance Act (the new Act) comes into force on 1 July 2024.

Natural Disaster Response Model (NDRM)

A new approach to claims management was used with one private insurer in the 2016 Valentine's Day Christchurch earthquake, and with a wider group of insurers in the 2016 Kaikōura earthquake under a Memorandum of Understanding (MOU). This tested how EQC, and insurers could work together to deliver efficiencies and a better service to customers through an insurer-led claims management model. An external review concluded that the approach used in the Kaikōura earthquake response led to significantly higher customer satisfaction than for previous events.²

¹ Natural disaster damage is defined in section 2 of the Earthquake Commission Act. A natural disaster is defined as an earthquake; natural landslip; volcanic eruption; hydrothermal activity; tsunami; a natural disaster fire; or in the case of residential land, a storm or flood.

After the Kaikōura earthquake, EQC moved to a model in which they contracted Third Party Administrators (TPAs) and geotechnical specialists to provide claims management and assessment services. Building on the Kaikōura MOU, private insurers and EQC further developed the insurer-led approach between 2019 and mid 2021 when the Natural Disaster Response Model (NDRM) was established. The model is a partnership between EQC and nine private insurers who are contracted to manage EQCover claims on behalf of EQC. The model is intended to deliver a better experience for customers by giving them a single point of contact in assessing, managing, and settling their claim, regardless of whether the claim is under EQC or private insurance. The model covers over 95% of insured householders.

The partnership marks a significant change for EQC – it remains the lead agency coordinating the EQCover insurance response to any natural disaster in New Zealand, but operates in a coordination, support, and integration role. Moreover, EQC has responsibility for being the steward of this partnership, to ensure it is operating as intended and in alignment with the Act.

Implementation of the new Act requires some changes to the agreement supporting the NDRM, but this will not result in material change to the model.

North Island Weather Events (NIWE)

In early 2023, New Zealand was hit by two extreme weather events. The Auckland Anniversary Weekend floods and Cyclone Gabrielle caused

² EQC Briefing to the Public Inquiry into the Earthquake Commission – The Kaikōura Earthquake



widespread catastrophic flooding across large parts of the North Island, devastating communities and businesses in affected regions. Fifteen people were killed, and thousands of people displaced from their homes. The events caused widespread damage to land, infrastructure, and services; particularly power, communications, and roading.

Over the 48-hour period beginning Friday 27 January 2023 - the beginning of the Anniversary holiday weekend - Auckland and surrounding areas experienced a widespread flood event, involving significant transport and infrastructure disruption, mass evacuations, and loss of life of two people and damage to property.

From Thursday 9 February 2023 the impacts of Cyclone Gabrielle were felt across the upper and eastern North Island. The impacts of Cyclone Gabrielle continued to intensify and on 14 February the Minister for Emergency Management declared two States of National Emergency to support the response to Cyclone Gabrielle. The declarations applied to Northland, Auckland, Waikato, Bay of Plenty, Tairāwhiti, and Hawke's Bay Civil Defence Emergency Management (CDEM) Group areas, and the Tararua District.

Cyclone Gabrielle caused widespread damage to impacted areas, including property loss, road closures, collapsed bridges and loss of critical infrastructure such as power. The east coast was particularly badly hit with flooding and winds creating significant damage to homes, businesses and infrastructure in the Hawke's Bay and Tairāwhiti regions. This event led to 11 deaths.

The two events, collectively known as the North Island weather events (NIWE) are separately the two largest insurance-related weather events in New Zealand's history. Almost 120,000 private insurance and almost 9,000

EQCover claims have been received as of 1 March 2024. Of the private insurance claims received, 91% have been fully settled and the estimated private insurance cost of the two weather events is \$3.75 billion³. Around 95% of the EQCover claims involved land damage, and 86% of these have been settled⁴.

The NIWE was the first major test of the NDRM's operation following the Nelson events in 2022. The response has been significant because of the nature and relative complexity of the damage covered by EQCover as well as the volume of private insurance claims.

EQC commissioned a review of the NDRM response to the NIWE

EQC commissioned MartinJenkins to undertake a rapid review of the NDRM response to the NIWE between August 2023 and March 2024. During this time, the NDRM NIWE response was ongoing, with claims continuing to be assessed and resolved.

The purpose of the review was to:

- Review the NDRM response to the North Island weather events, identify what to maintain and strengthen, and key opportunities to improve system readiness for future events, and to further mature the NDRM.
- Provide a real-time and future-focused review to identify and apply learnings to mature the response model, including during the course of the response. It will also inform continuous improvement, the structure of future reviews, and measures in future Statement of Performance Expectations (SoPE).

³ ICNZ, media release 19 March 2024, [Gabrielle and Auckland Anniversary claims settlements top 90% - ICNZ | Insurance Council of New Zealand](#)

⁴ Communication from EQC



The outputs from this review will lead to a better understanding of:

- what is working well and should be continued, and
- what could be improved.

The review will support EQC to make changes that will enhance the NDRM within the settings provided by the Act. Ultimately, the intent is to support better customer recovery outcomes through an improved NDRM.

Review scope and process

As provided in the Terms of Reference, our review was focused around four areas:

- **Customer experience:** customers' understanding of EQCover, customer communication channels, and complaint themes.
- **End-to-end processes:** identify inefficiencies/areas for improvement from lodgement to post-settlement.
- **Approach to land claim assessments:** potential for innovation and changes in approach.
- **Roles:** role of EQC, NDRM insurance partners, Insurance Council of New Zealand (ICNZ) and third-party providers (for example, geotechnical engineers) during the event response and recovery phase. This includes liaison with central and local government.

The review excludes:

- A review of general readiness activities to prepare for future events. That is, any general activities prior to the initial warning notification.
- Work relating to implementing any identified lessons.

Three areas of enquiry were also out of scope as they are being undertaken through separate initiatives:

- recommendations relating to changes to legislation under the Natural Hazards Insurance Act 2023
- consideration of changes to the assurance processes of insurer claims under the model, and
- direct engagement with affected customers, although we viewed available data on customer satisfaction.

Our review was undertaken in two phases – a rapid review to generate early insights with a view that the NDRM could implement any improvements for customers of this response, followed by a deeper dive into the insights and recommendations based on Stage 1 findings:

- Our early insights report was presented to the EQC Board in November 2023, identifying high-level findings of the NDRM response to date. These early findings were also presented to the insurance partners in December 2023 and used to design the second phase of our review.
- Our second phase of discovery has not materially altered the high-level findings of our early insights report, and we have built on those findings to formulate the insights and recommendations in this final report.

Our approach to the review involved the following activities:

Discovery:

- Interviews and workshops held with over 60 different stakeholders in the NDRM, including insurers, EQC subject matter experts, representatives from New Zealand Claims Resolution Service (NZCRS), third-party providers, and local authorities impacted by the North Island weather events.



- Review of core documents relating to the NDRM, EQC and the NIWE, including:
 - the commercial and operational arrangements supporting the NDRM
 - previous EQC event reviews and external reviews of the wider NIWE response
 - data from customer satisfaction surveys.

Analysis:

- to distil key insights based on the above sources of information
- applying root-cause analysis to differentiate symptoms and causes of issues in the model performance.

We would like to thank everyone who has participated and supported us in this review, particularly those from across EQC, the insurance partners and wider stakeholders who openly provided us with information and their observations.



Section 2: Findings

NDRM performance measured by Statement of Performance Expectations

In this section we assess the performance of the NDRM to set the scene for the findings on model operation in the NIWE. The performance of the NDRM is currently assessed in two ways:

- Toka Tū Ake's Statement of Performance Expectations (SoPE) around claim settlement timeframes and customer satisfaction, and
- minimum performance standards in the NDRA focused on:
 - quality assurance of services
 - complaints management
 - health and safety, and
 - data provision.

We have used data from January 2024 as this is the latest published data available from EQC⁵.

The NDRM is meeting settlement timeframe targets, but falling short with regard to customer satisfaction

In a 'business as usual' operating environment the expectation is that the majority of EQCover claims under the NDRM will be settled within six

months. For the NIWE, which was declared a significant natural disaster event under the NDRA, the claims settlement target in the 2023/24 SoPE was extended to 12 months to reflect the increased complexity and time needed to resolve claims where there is significant land damage. The data below (Figure 1) covers the NIWE claims management by the insurance partners and EQC (very small proportion) in the 2023/24 financial year up to end January 2024. There were EQCover claims relating to the NIWE received and resolved in the 2022/23 financial year, which are not included in this dataset.

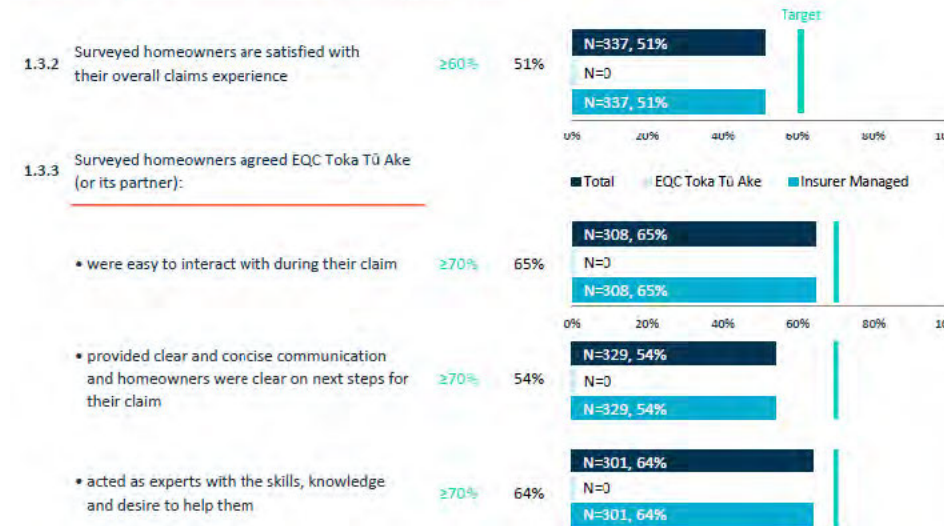
The SoPE measure 1.3.1 is a rolling measure in that it reports on the number of claims that have been settled within the 12-month target. In January 2023, 1,227 claims relating to the impacts of the NIWE were received by January 2024 and 76% of these have been settled. This is higher than the target of equal or more than 70% settled within 12 months. EQC's indicative reporting indicates that a further 6,278 claims will come into scope for this measure over time and year to date 72% of these have been settled. This means that the end of year position will be higher than the performance target.

⁵ EQC Performance Dashboard January 2024, [EOM Performance Dashboard Jan-22 PUBLISH.pdf \(eqc.govt.nz\)](#)



Figure 1: Data on customer satisfaction measures in Statement of Performance Expectations as of January 2024

Output 1.3 | Performance measures | Homeowner focus



In relation to customer satisfaction, SoPE reporting indicates that EQC targets across both the overall satisfaction measure and the sub measures (easy to interact with, clear and concise communications, acted as experts) are not being met. EQC undertakes satisfaction surveys with customers once claims have been resolved which provides insights into the customer satisfaction data. Our analysis of customer survey data indicates dissatisfaction with both the settlement process – takes too long - and the outcome – not sufficient to fix the damage. The determination of the settlement value is detailed in the Act and not within the control of the NDRM.

While the 'time to settlement' target has been met, the NDRM is young, and it is to be expected that there will be room for improvements. The fact that all parties to the NDRM agree with this assessment, are committed to the model and want to make it work is a critical foundation for the work ahead.

We note that the SoPE measures for the 24/25 financial year are currently being reviewed and, following consultation with insurers, changes have been proposed.

The rest of this section unpacks the symptoms and drivers of the NDRM response to the NIWE across the four dimensions of focus for the review:

- customer experience
- end to end process
- land claim assessment, and
- roles.



Customer experience

Stakeholders felt the NDRM was better for customers than prior arrangements

Stakeholders acknowledged that there was opportunity to refine processes in the NDRM to better meet customer needs. However, there was a clear message that they felt customers had fared better under this system:

"It is far better than the Christchurch experience, still some learning and adapting that the insurers are doing, far better experience for homeowners and other stakeholders." (Stakeholder participant)

Insurers commented on the potential risks to their brand reputation that they faced by assuming responsibility for EQCover claims management under the Act which does not provide the flexibility of commercial pragmatism further compounded by low public understanding on the provisions of the Act regarding land cover. However, they felt the benefits of being better able to manage the customer journey outweighed these risks.

Satisfaction may improve if customers have a better understanding of EQCover

Interviewees universally reported that almost all customers are not aware of EQC's role in their insurance arrangements or of EQCover and what that cover entails. This can lead to inflated expectations. Qualitative comments captured as part of the post-settlement customer survey also reflect low customer understanding of EQCover and how claims are managed.

Outcome expectations

Customers generally have an expectation that all damage will be covered by their insurance, leading to higher expectations of settlement amounts than provided for under the Act.

Land damage claims are settled on the lesser value of the cost to repair or reinstate the land, or the EQCover land cap (generally based on the value of the damaged inured land area). In practice, this means that many settlements do not cover the cost of the remediation action required to reinstate the land. Land values also vary across the country, and there is also a sense of unfairness from customers who know of settlements in other parts of the country which have been significantly higher:

"One thing we had an issue with, in the country, that I think EQC needs to review. Rural properties have longer driveways and boundary fences. Once we've passed a certain meterage, we don't get EQCover. We pay EQC rates on our insurance. Because we are rural why do city people get treated differently. We are getting penalised for living in the country. This needs to be reviewed." (Customer survey response)

"The amount of money is only a fraction of what it is going to cost to reinstate it." (Customer survey response)

While the level of settlement that can be provided under the Act is outside of the NDRM, dissatisfaction with the settlement outcome has an influence on the measures that are used to assess how well the model is performing from a customer perspective.

Process expectations

The model has theoretically simplified the process for customers who are with insurance partners, as they now only need to contact their insurer when making a claim (rather than contacting both EQC and insurer).



Customers are told that they will have a 'single point of contact' under the model which potentially lead to expectations that they will deal with 'one person/organisation'. This is mostly true for building damage claims; however, with most land claims, this is not the case. Specialist land assessors and geotechnical engineers may be required at the different stages to assess the claim, resulting in the customer dealing with multiple people. Customer survey comments indicate that customers do not understand the roles of these different assessors, who they are working for and the time required for the assessment process. This is negatively impacting on satisfaction with the process:

"I was told that there is a new system whereby our insurance company were going to handle the EQC side of it for me and this was as a result of the Christchurch earthquake, and it would make it easier. But it took 7 weeks for the EQC guy to show up. And we had already tidied up by then at great cost because we needed to."
(Customer survey response)

"The other feedback that I can give you, is that it wasn't done in a timely manner. It was extremely complicated, I have had so many people contact me from various agencies, it was hard to follow who was in charge." (Customer survey response)

Feedback from wider stakeholders indicates more can be done to communicate with customers

EQC uses a number of forums and channels to access feedback about impact of natural hazard events and the insurance response. This includes regular engagement with the New Zealand Claims Resolution Service (NZCRS) to understand number of customers that are accessing their support and the types of claims being supported.

EQC has established a National Reference Group (NRG) who provide feedback on the impact of natural hazard events and insurance response in

relation to the population groups they represent. For the NIWE, key feedback from the NRG covered the following:

- need to repeat communications many times, using different formats and forums. This is important as the information is not easy for people to take on board at times of emotional stress.
- considering those who are not covered by private insurance and therefore not under EQCover.
- recognising that the current process does not align to the 'one organisation' promise with people feeling bounced between different organisations trying to get answers.
- ensuring that community hubs reach into rural areas, and
- ensuring that brokers are aware of the model and extent of EQCover.


Provisions of the Act constrain ability to adopt processes that have been identified to improve customer satisfaction

EQC's approach to claims management under the NDRM is designed to ensure that the Natural Disaster Fund is used in accordance with the Act. The insurer view is that EQC are focused on settlement value accuracy at the expense of customer satisfaction. This reflects the difference between the operation of EQCover and private insurance. Insurers are able to make pragmatic choices around the extent of private insurance coverage and how settlement amounts are calculated on a case-by-case basis. EQC must meet the intent of the Act in settling claims and is potentially subject to legal challenge. This limits the ability to make choices on a case-by-case basis on extent of coverage and settlement calculations. The extended use of notional value in the NIWE, which involved using desktop valuations rather than requiring site visits for some low levels of insured land damage,



was cited as a good example of EQC being flexible in applying the Act requirements.

s9(2)(ba)(ii)



Previous experience indicates that complaints focus on interpretation of the Act and settlement amounts

From our fieldwork, we are not able to assess whether complaint levels are currently higher than expected. As many claims are still in the assessment process it will take time for complaints to be received. Interview participants indicated that from previous events there tended to be three main types of complaints from customers regarding EQCover: lack of contact throughout the claim journey; interpretation of how the Act applies to their situation; and the settlement value.



End-to-end processes

Since the establishment of the model, significant effort has been put into building relationships between EQC and insurers, and developing mechanisms and tools to support insurers

It was acknowledged particularly by EQC that the early years of the NDRM operation have provided an opportunity to refine processes and systems that operationalise the model. While the experience from the Kaikōura earthquake response under the MOU provided insights, further work was needed to streamline processes and adapt, especially in relation to land claims.

The work that was undertaken by all parties in early years provided a solid foundation for the NDRM response to the NIWE. The NIWE was however the first real test of the operation of the model after Nelson. The practical experience demonstrated a number of strengths, and inevitably identified some areas where processes and ways of working together could be refined.

Clarifying the processes for event response could reduce risk and improve efficiency

In our fieldwork with both the insurers and EQC, it was difficult to piece together a timeline of activity following the NIWE. The early event response is described in Appendix 2 along with a timeline diagram. These detail what we could ascertain in terms of when meetings and key decisions took place. However, it has not always been possible to identify some of the reasoning behind what happened, and what did not happen, and there are conflicting views of events at times. The fact that the defined process was not followed and a lack of clarity around roles and responsibilities suggest that the current event response approach may not

be sufficiently agile to respond to different natural disaster events effectively.

Early assessments were complicated by an initial lack of clarity about the nature and complexity of damage from the NIWE

The NIWE illustrated that it is not always initially clear whether a natural hazard event will result in a significant number of EQCover claims and meet the criteria for a significant natural disaster event under the NDRA. In the NIWE most of the property damage was not covered by EQCover as due to flood and this resulted in the high number of private insurance claims due to the events. While flooding and storm damage to land is covered under EQCover, customers may not be aware of this when lodging their claim with their insurer. Therefore, the extent of damage covered by EQCover took time to become clear. The early damage caused by flooding in Auckland led to a strongly held view from the insurance industry that it was a private insurance event and EQC staff felt there was resistance to them being more involved in response planning. The view from the insurers was that they were managing it as a significant insurance event with ICNZ playing a critical role engaging with councils, government and media.

"In those early days we were getting the messages from insurers "this is flooding, it's about us, leave it to us". We should have been more forceful and asked, 'why do you say that what are you seeing that makes you say this'". (EQC participant)

We heard that in natural disaster events experienced prior to the NIWE the insurance response was weighted towards EQCover claims combined with private insurance cover where property damage was over the EQCover cap. In these scenarios EQC's role is clearer, and it may be that the event response processes were developed with those type of events in mind.



While the number of claims involving EQCover was low compared to the private insurance claims, the complexity of the land claims and the time required to do the assessment resulted in insurers supporting the declaration of a significant natural disaster event under the NDRA once more was understood about the type and extent of damage.

"Insurers need to take some responsibility, too, we wanted to get on with it and sometimes when we declare it an event we have to have more meetings, share more info etc. So, we held fire until the extent of land damage was clear, and we realised we needed EQC to stump up and declare it to be an event." (insurance partner)

The process to declare a significant natural disaster event was perceived to be impractical

The process to declare a significant natural disaster event is:

- EQC and insurers gather intelligence on insurance impacts
- Relationship Level Governance Group (RLGG) meet and submit an Event Mobilisation Recommendation to the Executive Steering Committee (ESC), and
- the recommendation is endorsed by the ESC and noted by the EQC Board.

Feedback from insurers indicated that this process is long-winded and impractical as they are already on the ground managing the insurance response well in advance of this process.

"They are often trying to push a square peg in a round hole. Every event is going to be different, and they need to have the agility and flexibility to respond to that." (insurance partner)

Lack of joint event response strategy contributed to a lack of co-ordination and confusion about roles and responsibilities across the different parties

Following the declaration of a significant natural disaster event, the next planned step is to establish a Joint Event Response Planning team involving EQC and insurance partners, and develop a joint event response strategy which outlines the:

- desired objectives and customer recovery outcomes
- response priorities, and
- assessment and settlement approaches.

In our fieldwork we encountered a lack of clarity on why this team had not been set up and differing views on the impact of not having a joint event response strategy in place. EQC staff felt that the failure to activate the Joint Event Response Planning Team and to develop the strategy had a significant impact. It led to a lack of co-ordination and confusion about roles and responsibilities across the different parties.

From the insurers' point of view there was less concern about not having the Joint Event Response Planning Team and strategy document in place. Collaboration was being managed through the insurer led Operations Group - Residential Recovery and ICNZ were taking a leadership role in communicating to local councils, customers and government.

"We aren't clear on roles and responsibilities. Insurers have playbooks, but that is just our starting point. Having to report back on our strategies, our approach, what we were thinking, is just too process-driven and didn't really allow for agility and flexibility". (insurance partner)



Insurers and EQC worked together well to communicate with customers in impacted regions

There is a joint communication working group that supports the operation of the NDRM which has developed a joint event response communications plan. Insurers have a clear responsibility to communicate with customers at lodgement on the nature of the claim and the elements which may be covered under EQCover. While EQC does not have the direct customer relationship under the model they have a role to play in wider communications.

Insurers and wider stakeholders felt that EQC had a clear role in communicating the type of damage that would be covered by EQCover following a natural hazard event and to set expectations about timeframes and settlement values. Positive feedback was received about EQC in relation to supporting community hubs and meetings particularly following Cyclone Gabrielle. Stakeholders and insurers told us that direct EQC involvement in communities after the NIWE was welcomed as EQC staff could explain the extent of EQCover and the assessment process to help set claimants' expectations. However, Councils reflected that they would have benefited from a deeper knowledge of the provisions of the Act to inform their own decision-making, and easier channels for direct contact for advice on complex situations.

Event specific policy will always be required. Learnings from the NIWE show the value of processes that facilitate transparent and prompt policy decisions which advance the speed of claims assessment

Following a natural hazard event assessment of the type, cause and extent of damage is needed to ascertain the damage that is covered by EQCover. The Act outlines coverage at a high-level requiring analysis and interpretation following natural hazard events. EQC's Event Response

Team (ERT) identified a number of areas where EQC needed to develop policy or a position to enable the insurers to assess claims, these included:

- apportionment for damage from Auckland flooding, Cyclone Gabrielle, Wellington earthquake, and existing BAU
- differentiation between silt and debris damage between flooding, storm, and landslide
- post clean-up invoices where before and after photos are non-existent
- non-commercial clean-up where properties may have been partially or completely cleaned-up by the community or other agencies or organisations
- an NDRM coordinated clean-up or individual insurer clean-up or repair
- excess collection if a clean-up or repair is performed
- communicating how cash settlements should be used and inflationary impacts, especially given current construction market conditions, and
- another agency leading a coordinated clean-up including cost sharing, customer communications, support requirements, and already settled customers.

Insurers felt they were often not involved in the development of these policies, that they took a long time to develop and that there was a lack of information about the process and rationale for decisions. An example

s9(2)(ba)(i)

A positive feature of the model is that EQC and the insurers have worked together so that this is not slowing down claim resolution with customers.



Insurers have processes in place to ensure the immediate needs of vulnerable claimants are met, but prioritised settlement is constrained by resources

The NDRA provides for prioritisation of settlement of claims for vulnerable persons and as part of the data requirements insurers provide data to EQC on these claims. The feedback from insurers indicated that they had robust processes in place for identifying vulnerable persons/persons experiencing vulnerability and were able to ensure immediate needs were met such as, increased communication and prioritising alternative accommodation. However, they commented that they were constrained by the availability of specialist land resources and not always able to prioritise claim settlement for these groups.

EQC specialist support during the NIWE was welcomed by insurers, and the value of expanding the self-service Knowledge Hub was recognised

Insurers commented on the support they received from EQC both in terms of the relationship management leads and subject matter experts from the claims and technical teams. This support included EQC staff working on site with insurers and regular review meetings.

"they are very supportive people and if we require additional training on specific points they readily volunteer their time to help."
(insurance partner)

There was a view that improvements could be made to the usability of the Knowledge Hub. The purpose of the EQC Knowledge Hub is to provide a central, accessible, and responsive online site that is the single source of truth for EQC staff, insurance partners and other third parties involved in claims management. The guidance on Knowledge Hub has been co-designed with insurers and is designed to support decision making on application of the Act. One insurer suggested that case studies of complex

claims could be added to the Hub to help insurers build their in-house capability.

Flexibility from EQC to delay the audit assurance process during the NIWE was welcomed, along with agreement to review the assurance process itself

As a review of the assurance process for the NDRM is planned, this issue was not specifically addressed in this review, with no one representing EQC interviewed about the assurance process and no focused questions asked of other participants. However, the assurance process was mentioned by insurers and wider stakeholders due to the influence it was felt to have on both insurer and EQC staff behaviour. The perception that

s9(2)(ba)(ii)

Insurers identified the quarterly audit process as a significant burden when they are under pressure to resolve claims and meet performance expectations. Insurers commented positively on the flexibility demonstrated by EQC in delaying a round of audit activity due to the NIWE.

Unclear ownership of complaints during the response make it harder to facilitate speedy resolution

Initially, complaints are handled by the customer's insurance company, but many need EQC input due to their specialist knowledge of the Act. EQC are involved in complaints about interpretation of the Act and settlement value as these relate to the cover provided under the Act rather than the claims management process under the NDRM.



Under the NDRA, there is provision for complaint management to be handed over to EQC. Where complaints are focused on the application of the Act to a specific claim or are about the value of EQCover settlement, insurers felt that EQC should take ownership to reduce double handling. In addition, the disputes resolution process for complaints about application of the Act is via the Parliamentary Ombudsman rather than the insurance industry's dispute resolution service and insurance partners commented on their lack of experience with this process.

"At the moment it isn't clear when we can move a complaint to EQC – it seems to be at the claim SME's discretion... The ones with multiple insurers, it would certainly be better for EQC to take those".

(insurance partner)



Land claim assessment process

Land claims formed a much higher proportion of the NIWE-related EQCover claims than before the NDRM was introduced

Prior to the model being established, EQCover claims were around 60% for property and 40% for land. Due to the type of natural hazard events since the establishment of the NDRM, land claims have increased to 80% of EQCover claims.

Land claims can be complex and the assessment process to meet the requirements of the Act takes time. However insurers and EQC are working together to identify process improvements

The increase in land damage claims since the establishment of the model has had a significant impact on claim settlement timeframes. As demonstrated by the Kaikōura MOU, insurers have experience and expertise with property damage assessment as this is part of their general insurance claim management process. The process for land claims is complex and is a new function for insurers as the management and assessment of land claims were not part of Kaikōura MOU.

EQCover residential land claims may require several steps to occur in a particular order before an outcome is determined. These claims can often take longer to reach settlement stage than other types of insurance claims. EQC's Land Claim Customer Factsheet⁶ details the process that may need to be followed:

⁶ [EQCover-Land-Claims-Customer-Factsheet-v2.pdf](#)



Figure 2: Land claim assessment process



Information from the TPAs and specialist technical service providers suggest that a straightforward land damage claim could take about three months with a more complex one taking far longer. It was acknowledged that for the NIWE the land claim process is taking time due to the complexity of the damage, geographic location and limitations on the availability of technical resources. This was reflected in the change to the Statement of Performance Expectations measures.

Properties can also have the additional complexity of a red or yellow placard applied during a risk assessment by the local authority. This can delay land damage assessment as access to the property is limited due to health and safety concerns.

Several options were suggested by interviewees to improve customer outcomes in the land claim assessment process, including s9(2)(ba)(ii)

s9(2)(ba)(ii)

s9(2)(ba)(ii)

EQC is currently considering and piloting approaches with insurers to speed up the land claim assessment process.

Shared land adds complexity to the assessment of claims, making it harder to deliver customer satisfaction

Shared land claims were identified as an early pain point for insurers. Shared land claims could mean a cross lease property with multiple houses and insurers or properties that share a damaged structure like a boundary retaining wall. When land claims were managed by EQC they would have appointed one assessor and one geotech to assess the claim. Under the NDRM, if insurers are not aware that there is a shared claim situation there may be multiple assessors and geotechs involved and in some cases, insurers may have already settled claims. Insurers are reliant on EQC to identify potential shared claims and notify the relevant insurers. EQC and insurers now run a shared land process where one insurer will take the lead for assessment of land damage across shared land, to simplify the experience for customers.

Specialist providers highlighted issues with maintaining capability and capacity of specialists to respond following significant events

The land claim assessment process requires specialist resources to assess the damage, estimate the cost to repair the damage, and to value the damaged land. Specialist resources include land assessors, valuers and geotechs with previous experience of supporting EQC in land claim assessment and management. These skills and capabilities are limited in New Zealand, and are in high demand following significant natural hazard events. Under the model, specialist resources have contracts with multiple insurance companies, rather than solely with EQC.

Some interviewees felt there had been some increase in capacity in relation to land claim management and noted that there had been movement of staff between the different organisations – EQC, insurers, TPAs. The difficulties in building this specialist capability and maintaining

capacity needed to respond to events were acknowledged by interview participants, particularly those providing these specialist services – TPAs and geotechnical service providers. The nature of natural disaster events (unpredictable in timing and impact) and the funding model for the insurance response (payment for service) means it is not possible to maintain 'a standing army' of experienced assessors and valuers. Interviewees commented on the length of time needed to build expertise and experience in land claim assessment, with training involving classroom-based learning, shadowing experienced assessors and then peer review and discussion of reports.

"It is tricky as can't have a cadre of trained capable people just waiting for the work, they are an expensive resource and only paid by insurers for what they do. If a new event were to happen in near future we have got those experienced people, but that experience will atrophy, and the assessors will move on to doing other things. Tend to be builders so easy enough to move into other areas when construction industry is quite buoyant." (TPA representative)

There is now increased capacity of specialist geotechnical assessment resource with the insurers bringing on board five new geotechnical service providers and EQC supporting this through providing training.

We identified concerns that the model may not be able to scale up to manage a large-scale land claim event, due to limited availability of specialist resources. While the improvement initiatives to the land claim assessment process that are being piloted are positively received, there are concerns that these improvements will not reduce the time required to undertake land claim assessment sufficiently to enable the model to respond to a significant natural hazard event in the timeframes expected by customers, stakeholders, and politicians.



"No matter who owns it, we are a small country and just don't have enough assessors and geotechs to speed up timeframes any faster".
(EQC participant)

Insurers are expanding their experience in triaging claims, and guidance is being developed to support this

One area that both parties felt could be improved was that of triage – in which the claim is reviewed, and the appropriate assessment process determined. Part of this is identifying claims that require geotechnical assessment. Insurers acknowledged the complexity of the land claims and that they had needed time to build their experience in managing them:

"It does take a long time for people to get up to speed, because of the complexities of the Act. And it is a slow-moving process".
(insurance partner).

EQC have worked with insurers, TPAs and geotechs to develop guidance to support the triage process and effective use of geotechs.

Adaptations in-flight have had a positive impact on timeframes, and both insurers and EQC are exploring further changes

The issues with the land claim process are well known to EQC, the insurers, and wider stakeholders. As outlined previously, customer satisfaction with the land claim process is reported to be low. From the insurers' perspective, the process is clunky and works against the model's focus on customer outcomes. Throughout the NIWE insurance response, EQC and insurers have worked together to explore how the land claim assessment process can be adapted to improve customer outcomes particularly around time to settle claims.

One adaptation which was made during the insurance response was expanding the use of notional value in calculating claim settlement values.

If a geographical area experienced widespread damage, rather than sending a valuer to assess the value of the damaged land for each claim, a

s9(2)(ba)(ii)

s9(2)(ba)(ii)

While insurers welcomed this approach there was concern that it took time to be put in place. EQC are now investigating the feasibility of new approaches to improve use of notional value.

Insurers highlighted the cost of the assessment process could be higher than the settlement value, and this impacted on customer satisfaction

The insurers questioned the value of the land claim assessment process in circumstances when the settlement value was less than the cost incurred to assess the claim.

"But we get so many claims where we are paying thousands for engineers and valuers, where it is so unnecessary and a waste of time and money. So, unless there is some significant change in this space, it's going to keep taking too long" (insurance partner).

As this review did not involve looking in detail at claims, we were not able to verify these statements, and feedback from EQC indicated that settlements were in accordance with the requirements of the Act, and the cost to assess the claims could be higher than the settlement value. While there was understanding of the different environment that EQC works within and its responsibilities under the Public Finance Act, the issue was raised as a point of concern from insurers.



Roles

Roles and responsibilities following natural hazard events could be clarified within the model

EQC staff felt that their role of providing background support and enabling the insurers to manage their direct relationship with customers needed to be more clearly defined and socialised with all parties, particularly internally. Wider stakeholders felt that EQC needed to be more proactive with customers, Councils and other government agencies, highlighting the insurance response and setting expectations about EQCover and timeframes.

"It was a little bit of a perfect storm – a lot of management coming into the NDRM space and a big focus on the roles and responsibilities of who was to do what. For me, that was in the early days in this event and [in relation to] understanding EQC's role, the waters were very muddied. Over time, internally, we have developed a better idea of roles and responsibilities. But in the early days it was very unclear and caused confusion". (EQC participant)

Refreshing the role of ERT and its interface with NDRM could provide greater support for insurers

EQC's internal Event Response Team (ERT) plays an important role in the early stages of EQC's event response, particularly around intelligence gathering and impact modelling. However, document review and interviews suggest that its focus may not be aligned to EQC's changed role under the NDRM. The team acknowledged that there was a need for improved clarity about their role and how it interfaces with the NDRM system including insurers, ICNZ and TPAs. The lack of the Joint Event Response Team following the NIWE meant that there was EQC-led

response work and insurer-led response work operating in parallel with challenges in connecting the two.

There may be a need to reframe the role of this group around supporting both EQC's role as a government agency in insurance recovery, and identifying and/or addressing issues that will enable the insurers to respond effectively under the model.

Relationships across the two parties are maturing, and issues are increasingly worked through effectively

Both parties felt that since the establishment of the model, their relationships and ability to work effectively together had matured. This was reflected in the parties' ability to work through difficult and contentious issues effectively, taking an approach of "we want to work through this in a way that preserves the relationship, and that resolves this issue for the next event." (EQC participant).

EQC is currently playing a greater role in claims management than envisaged

Most EQC staff felt that they were playing more of a role on individual claims than originally envisaged, due to the scale and complexity of land claims, and their expertise in the Act. While this support was welcomed especially by those insurers that may not have had as much experience with land claims, some insurers were not sure that this was always required or should be the approach going forward. It was felt that action was needed to move support away from individual claims to a more collective approach with case studies and group workshops exploring complex issues. The Knowledge Hub was mentioned as a resource that could be developed further, to build insurer capability.

EQC staff acknowledged that while they had deep expertise, they needed to work on how they could transfer this expertise to the insurers rather



than providing support on individual land claims. Some EQC interviewees felt that there are opportunities to build the knowledge and capability of insurers regarding land claims, though some questioned how much they be able to step back in reality given the need to apply knowledge of the Act to the context.

EQC does not readily support innovation and adaptation, which limits the ability of insurers to respond to customer needs at the operational level, insurers feel that some EQC staff are flexible and open to working differently, whereas others are quite fixed on a set way of doing things. Positive changes and adaptations are seen to be driven by individual staff in EQC, rather than by a broader culture of continuous improvement within EQC. The time taken to get decisions on changes to policies or processes was seen to be hindering the ability for the insurers to work effectively and for customer outcomes to be met. Insurers commented on the number of people across EQC that they engage with and the hierarchical decision-making process:

"They do a tough job, but they are a bureaucracy, and we aren't. EQC have a lot of people who don't quite see the finish line, they focus on the process. The hierarchy causes delays – the board, the executive, the teams." (insurance partner)

ICNZ and NZCRS are important to the model, but their roles are not defined and engagement is haphazard

ICNZ is seen as an important stakeholder in the model. While it is not a party in the agreement, it plays a role in the governance structure, attending the Relationship-level Governance Group (RLGG), the Executive Steering Committee, and Chief Executives Forum. In the NIWE, ICNZ played a critical communication and engagement role with customers and with local government, which some Council officials felt bridged a gap in the engagement that they expected from EQC.

Both EQC and insurers have a relationship with NZCRS, who provide feedback on both individual claim issues and trends, however we did not find clear processes to use this feedback to assess and refine the performance of the NDRM.

The NIWE demonstrated the important role of local government in facilitating insurance claims management during a natural disaster, and identified opportunities to support them in this work

In the NIWE, local government bodies (councils) had different approaches to working with EQC and the insurance industry. Both NDRM parties indicated that the "engaged" approach, where councils communicated with them early and sought feedback, enabled them to work together to support customers. Some council representatives talked about how they turned to ICNZ and NZCRS for advice, perceiving these organisations to be more accessible than EQC.

Council representatives welcomed the presence of insurers and EQC at community hubs. One council interviewee had appreciated a direct approach from EQC early in the response, but noted that there was no pre-agreed way of working together:

"It was good that they reached out early, and also that they didn't put too much pressure on when there was a lot to do in response. But maybe a bit more pressure was needed so we knew what information to provide and when. We didn't have a process". (Local government representative)

Council representatives, insurers and EQC all talked about how they needed to build relationships prior to natural hazard events to enable more effective working relationships in a response.

Council representatives also talked about the need to have a better understanding of the provisions of the Act, and clearer direction about



what actions they could and should not take to support recovery. More than one Council interviewee cited silt clean up as an example, where they had helped people by removing the silt, and only later realised this had an unintended impact on insurance claims. Another described how they – and landowners – had received contradictory advice on this matter from insurers and EQC.

"People were confused, and this just added to the stress". (Local government representative)

Council interviewees gave practical suggestions on improvements, including:

- EQC engagement with the local CDEM group to clarify roles and responsibilities and agree how to coordinate and work through issues. Some extended this to a suggestion that EQC take part in the recovery dimension of CDEM exercises preparing for events This also supports EQC engagement with iwi/hapū who increasingly play a strong role in recovery.
- Workshops in "peacetime" to educate local government officials on the provisions of the Act. This would enable local government to provide basic advice and would inform their own decisions on recovery activities.
- Documented guidance and processes for councils on recovery steps that can be taken, and data that should be gathered and reported, to support a smooth pathway for insurance claims the Act.
- Establishing a "Council hotline" as a single point of contact at EQC for advice on complex situations.

One council representative also noted a broader opportunity to engage EQC in relevant policy development, for example consulting EQC as a stakeholder in hazard management policy. Insurers welcomed stronger day to day relationship management and support on claims, but don't feel adequately trusted by EQC

Insurers do not feel that they are trusted in the model and question that it is a partnership as originally envisaged. Their view is that it is treated more like a contracted-out service where EQC maintains control over decision making and applies a high level of oversight.

"They need to put more trust in the insurers. At the moment there are parts of EQC who love playing gotcha". (insurance partner)

Insurers commented positively about EQC's focus on relationship management and access to subject matter expertise on claims, however EQC as an entity was seen by insurers as difficult to work with. Some insurers felt that some within EQC are not supportive of the model as a way of handling EQCover claims.

"There are definitely people in EQC who are great to deal with, and others who are not – and almost give off a vibe of wanting the model to fail". (insurance partner)

EQC participants also talked about the building relationships with the insurance partners and how progress had been made:

"It is a new relationship, and it has really been tested early on. We might not be on the same page all the time, but we definitely have a more collaborative relationship with the insurers over the last several months. It is challenging, but we have adapted, and it is in a better state than it was pre-these events." (EQC participant)



Section 3: Summary of insights, and recommendations for operational improvements

We observed many strengths in the NDRM response to the NIWE

Prior to the NIWE, all parties involved in the model had worked hard on the challenging task to establish and refine the relationships, policies and processes that operationalise the NDRM. The work of all parties to establish the model should not be under-estimated.

The NIWE was the first real test of the model post the Nelson event, and it is only through this experience of working **in** the model that deeper insights can be drawn to work **on** the model. In this context, many of our operational insights and improvements could not have been identified earlier. The NIWE provided opportunities for lessons about the operation of the model to be identified during the event, for operational changes to be implemented and to build the relationships between the parties.

The review revealed opportunities for operational improvements within the four focus areas

In assessing the operation of the NDRM we have drawn on our knowledge of the role of recovery within emergency management (and EQC's recovery focus through insurance claim cash settlements), and our expertise in organisational design and performance.

Our report identifies a suite of operational improvements that can be continued, started, or grown under the four dimensions that were the focus for the review. We note that much of this work can and should be done in

BAU ("peacetime"), outside of an event response. This ensures readiness for an event, both in following agreed approaches, and increasing capability for adaptations that will inevitably be required to respond to the context of a specific event.

Table 1 captures the key insights and recommended operational improvements, gathered through our review of the NDRM response to the NIWE. These are actions that the NDRM parties can start, continue or build on immediately to further strengthen the operation of the model.



Table 1: Recommended operational improvements to continue, start or grow under the four focus areas of the review

Areas of focus	Insights	Recommended operational improvements to continue, start, or grow
<p>Customer experience</p>	<ul style="list-style-type: none"> • All parties in the model, and close stakeholder organisations, believe the model is working better than previous arrangements for both customer experience and scalability of the model. However, all believe there is further scope to improve the customer experience. • Customer expectations do not align with the reality of the scheme. Customers have a low awareness and understanding of EQCover and have an expectation that all damage will be covered by their insurance. • Customers are not always experiencing the promise that they will deal with one person / one organisation under the model. • There is limited data to understand the customer experience, and what good looks like for customers across varying interests and needs. • Processes are in place for vulnerable customers, but prioritised settlement is constrained due to the limited availability of technical resources. • Tension between the commercial flexibility of insurers and the obligations of EQC are inherent within the model. However, the partnership has matured and can continue to do so. 	<ol style="list-style-type: none"> 1. Develop and deliver a communications strategy to improve customer (and public) understanding of EQCover. This should include what isn't covered by the Act and provisions of the Act, to correct common assumptions (such as settlement value). The strategy should also include tailored and accessible approaches for rural and vulnerable customers. Examples of activities might include public information campaigns. 2. Extend the communications strategy to roles that advise customers, such as insurance brokers and those providing mortgages. 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. The aim would be to achieve the optimum value from the partnership, balancing insurer commercial flexibility with EQC obligations under the Act. 4. In preparation for large-scale events, consider risk thresholds and have approaches that support speed of settlement agreed in advance. Where required, Ministerial direction can be sought to support flexibly meeting EQC responsibilities under the Act.

Areas of focus	Insights	Recommended operational improvements to continue, start, or grow
<p>End to end process</p>	<ul style="list-style-type: none"> • Since the establishment of the model, significant effort has been made to build relationships and develop mechanisms and tools to support insurer management of claims. • Insurers appreciated the flexibility from EQC in response to their request to delay audit activity for the assurance process. • EQC involvement in community hubs alongside insurers and ICNZ was welcomed. EQC involvement could be further embedded in response processes to provide assurance of government support for impacted customers, and to communicate EQCover as stewards of the Act. • Every event is different, so policies and processes need to be adaptable and cannot always be anticipated. However: <ul style="list-style-type: none"> ○ More foundational policies could be developed in advance, and ○ Whilst policy and process changes were introduced during the NIWE, better processes could be put in place to promptly develop policies for event-specific issues. • The policies required to respond to enable claims assessment were not developed jointly with insurers, and insurers were not always clear what they were. • Ownership of complaints is challenging, and insurers felt there was resistance to complaint management being transferred to EQC when complaints were about the application of the Act. 	<ol style="list-style-type: none"> 5. Complete the current review of the assurance process to achieve the optimum balance of assurance with the time the process requires and reflect a maturing of the partnership. 6. Embed the practice of joint operational policy and process development between EQC and insurers, with a view to harnessing the complementary settings and capabilities of the parties to the NDRM model. 7. EQC consult insurers on policy interpreting the Act where possible. 8. Review current arrangements and processes for event response to reflect the speed required in a fast-moving and ambiguous response situation. Be clearer on roles, responsibilities and accountabilities in an event to support smooth and timely decision-making and communication. 9. Undertake exercises, similar to emergency management preparedness, to practice the end-to-end process. This could also be done with CDEMs for the response and recovery stages of emergency management. 10. Improve usability of Knowledge Hub, including case studies of complex complaints, and continue to co-design with insurers. 11. Clarify ownership of complaints, and the decision-making criteria for a complaint moving from insurers to EQC with a view to improve the experience for customers.

Areas of focus	Insights	Recommended operational improvements to continue, start, or grow
<p>Land claim assessment process</p>	<ul style="list-style-type: none"> • The land claims process is taking longer than prior to the establishment of the model. Land claims assessment is complex, and the processes used previously are not fit for purpose due to the nature of recent events, which resulted in a higher volume of land claims. • Insurer capability in complex land claims is growing with experience, but still to mature. • At times, the cost of assessment can exceed the value of the settlement. Adaptations in flight, such as increasing the amount where notional value can be used, have both reduced the cost and sped up some settlements. • There is limited capacity of specialist resources, which challenges the scalability of the model. 	<ol style="list-style-type: none"> 12. Further enhance the process where one insurer has the lead for assessment of damage across shared land – for efficiency, and to simplify the experience for customers. 13. Continue to develop policies, processes, and practices in “peacetime”. The specific content may need to be developed in-flight to adapt to the nature of an event, but the intent is to speed up settlement (balanced with confidence to make a determination) and improve the efficiency of the response. Processes, policies, and levers may vary depending on what good recovery looks like for categories of customer. Suggestions from interviewees included: <ol style="list-style-type: none"> a. Initial payments to customers who can then commission their own Geotech report b. Identifying low value claims and settling them with a pre-determined settlement value, and c. Use of strata data to predict level of damage and cash settle upfront. 14. Increasingly share data, including potentially sensitive details, such as location of claims, where this can support speed of settlement. 15. Explore how insurers and TPAs can grow and maintain capacity and capability in land claims to reduce reliance on EQC for individual claim advice and improve the scalability of the model. 16. Continue the initiative where EQC supports training of specialist geotech and land assessors and explore whether scalability and coordination could be improved if EQC managed this resource. 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. 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. 19. Seek Ministerial Direction following large scale events to cover reinstatement value for land claims under a specific threshold.

Areas of focus	Insights	Recommended operational improvements to continue, start, or grow
Roles	<ul style="list-style-type: none"> • Relationships, and ability to work with each other across the model's governance groups, are maturing. The model has room to mature over time in both the operation of its arrangements, and in the culture within the model. • Roles, responsibilities, and decision-making rights following natural hazard events could be clarified drawing on experience of the NIWE – within the NDRM, within EQC, and between EQC and NDRM governance. • EQC is more involved in claims management than envisaged by the model reflecting their expertise in land claims. This means that a shift to oversight and management of the model will take time. Other stakeholders are important to the model, but their roles are not defined, and engagement is haphazard. In particular: <ul style="list-style-type: none"> ○ ICNZ played an important role in communicating to customers, representing insurers, and attending the RLGG, ESC, and Chief Executive's Forum ○ NZCRS provide feedback to insurers and EQC on both individual claims and trends, but it is not clear how this feedback is used to assess the performance of the NDRM, and ○ There appears to be a minimal relationship with local government bodies and wider emergency management entities with a role in recovery. 	<ol style="list-style-type: none"> 20. Continue to mature the relationships and ways of working that were further developed during the NIWE. 21. During "peacetime", review roles, responsibilities, decision-making rights, and communication for operations during BAU and in the course of an event. This review should cover roles and responsibilities within the NDRM, within EQC, and between EQC and NDRM governance. The review should simplify the model through a shared understanding of roles. In particular: <ol style="list-style-type: none"> a) What decisions are made by the EQC board and what by ESC, and what discussions do both parties need to be engaged in b) Processes for consulting on and communicating decisions, and c) Ensuring that in a response, teams within EQC are coordinated (for example ERT and NDRM response). 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. This might include: <ol style="list-style-type: none"> a) Clarifying respective roles and responsibilities, and b) Identifying quality control support to stakeholders. 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. Some suggestions provided by interviewees are below. <ol style="list-style-type: none"> a. EQC engagement with the local CDEM group to clarify roles and responsibilities and agree how to coordinate and work through issues. Some extended this to a suggestion that EQC take part in the recovery dimension of CDEM exercises preparing for events. Another noted a broader opportunity to engage EQC in relevant policy development, for example consulting EQC as a stakeholder in hazard management policy. This also supports EQC engagement with iwi/hapū who increasingly play a strong role in recovery. b. Workshops in "peacetime" to educate local government officials on the provisions of the Act. This would enable local government to provide basic advice and would inform their own decisions on recovery activities. c. Documented guidance and processes for councils on recovery steps that can be taken, and data that should be gathered and reported, to support a smooth pathway for insurance claims under the Act. d. Establishing a "Council Hotline" as a single point of contact at EQC for advice on complex situations. 24. Consider the EQC resourcing needs as the model matures and insurers and TPAs develop their claim assessment and management capability.

Appendix 1: Overview of the NDRM

Legislative requirements

Natural disaster damage is defined in section 2 of the Earthquake Commission Act 1993 Act (the Act). A natural disaster is defined as an earthquake; natural landslide; volcanic eruption; hydrothermal activity; tsunami; a natural disaster fire; or in the case of residential land, a storm or flood⁷.

EQC covers the first loss for damage to homes caused by natural disaster, up to a specified cap, with private insurers topping up payments in accordance with people's insurance policies.

EQCover for land is limited to land that is within your property boundary and includes:

- the land under your home and outbuildings (for example, a shed or garage)
- the land within eight metres of your home and outbuildings, and
- the land under or supporting your main accessway, up to 60 metres from your home (but not the driveway surfacing).

EQCover is limited to certain areas of residential land within the land holding of your insured property:

- the land under your home and or any outbuildings covered by EQCover (for example, a shed or a garage)
- the land within eight metres of your home and outbuildings
- the land under or supporting your main accessway up to 60 metres from your home
- bridges and culverts within the above land areas, and
- retaining walls up to 60 metres from your home and outbuildings that are necessary to support or protect your home, outbuildings or insured land.

As with damage to buildings, the cover is for physical loss or damage and the loss or damage must be the direct result of a natural disaster or any imminent risk of such physical loss or damage. The maximum level of cover is specified as the smaller of the market value of the damaged land and the indemnity value of any covered damaged land structures or the repair or reinstatement cost of the land and covered damaged land structures.

The Natural Hazards Insurance Act 2023⁸ (the new Act) has now passed into law. The new Act will come into force on 1 July 2024. The new Act draws on lessons learned over the last 30 years and the report of the 2020 Public Inquiry into the Earthquake Commission (the Public Inquiry).⁹ There are several changes under the new Act, across many aspects of what will

⁷ Earthquake Commission Act 1993 [Earthquake Commission Act 1993 No 84 \(as at 23 December 2023\)](#), [Public Act Contents - New Zealand Legislation](#)

⁸ Natural Hazards Insurance Act 2023 [Natural Hazards Insurance Act 2023 No 1 \(as at 23 December 2023\)](#), [Public Act 56 Updating information - New Zealand Legislation](#)

⁹ Report of the Public Inquiry into Earthquake Commission March 2020 [Report of the Public Inquiry into the Earthquake Commission \(9 April 2020\) - EQC Inquiry \(dpmc.govt.nz\)](#)



be known as Natural Hazards Insurance Cover (NHI Cover). This includes improved claims management processes, clarified building and land cover, and improved financial transparency and governance through a Funding and Risk Management Statement that will guide EQC on investments and risk transfer. The new Act also makes the rules for mixed and multi-use buildings clearer, clarifies law relating to repairing buildings and land following a landslip or other land damage, and simplifies the excesses and calculations for retaining walls, bridges, and culverts. The new Act introduces new requirements for a Code of Insured Persons' Rights, complaints procedure, and dispute resolution to guide interactions with homeowners and support them if they have a complaint or dispute.

Evolution of the NDRM

Through the 2016 Christchurch and Kaikōura earthquakes, EQC and the private insurers tested how they could work together to deliver a better service to customers in a manner that was more efficient and cost-effective from the perspective of both EQC and the private insurers.

Initial pilot - Christchurch earthquake 2016

After the 14 February 2016 Valentine's Day earthquake struck Christchurch, EQC entered a pilot arrangement with one private insurer, Vero Insurance New Zealand Limited (Vero). Vero led the EQCover assessment for a group of 343 Vero/AA Insurance customers and provided EQC with settlement recommendations. Settlements were by cash except where an earlier claim remained open, in which case EQC worked to combine them. Vero provided information to the Public Inquiry on the trial which they believed demonstrated that insurers could carry out assessments that met EQC's requirements.

MOU - Kaikōura earthquake 2016

On 14 November 2016, a magnitude 7.8 earthquake struck the South Island. The earthquake started at a point about 15 kilometres northeast of Culverden and 60 kilometres southwest of Kaikōura and became known as the Kaikōura earthquake. It occurred at a depth of approximately 15 kilometres. The seismic activity comprised a complex series of ruptures that lasted around two minutes. EQC received slightly under 40,000 claims from the Kaikōura earthquake. The Kaikōura earthquake was the second largest event in EQC's history after the Canterbury earthquakes in terms of the number of claims made.

Although damage to residential buildings was notable, comprising about 71 percent of claims, land damage was also a major factor, giving rise to 10 percent of the claims received. Land damage differed from that sustained in Canterbury due to the mountainous and isolated nature of the Kaikōura and Hurunui districts. Access to Kaikōura and Wairau was completely cut off for two weeks and continued to be compromised for a long while after the event with State Highway 1 north and south of Kaikōura finally opening almost a year after the event.

The Kaikōura earthquake provided an opportunity to further pilot the model that had started with Vero. EQC and most of the private insurers agreed an MOU whereby the private insurer acted as EQC's agent to assess and settle claims made by their mutual customers, under a Memorandum of Understanding. In general, private insurers took over responsibility for assessing and settling on EQC's behalf, claims for residential building damage covered by EQCover. EQC remained responsible for assessing and settling any for earthquake damage to residential land and any residential building where a claim remained open for that building from a previous earthquake. EQC remained responsible for assessing and settling liability for those customers (comparatively few)



whose private insurer did not enter into the Memorandum of Understanding.

External reviews identified benefits

Research on the customer experience provided clear feedback from interviewees that the reduction in contact points (that is, having to deal only with the private insurer, not with both the private insurer and EQC) was favourably received by customers and that customers were happy to deal with their private insurer.¹⁰ Customers felt significantly more satisfied than was typical for other EQC managed events and compared to EQC's self-managed claims for the Kaikōura earthquake. The average results were high by historic EQC standards and above the targets agreed for the Kaikōura earthquake.

EQC commissioned PricewaterhouseCoopers (PwC) to carry out an external strategic review of the insurance 'agency' model response for the Kaikōura earthquake.¹¹ PwC's key findings were:

- EQC has a unique value proposition in the role it plays for the good of New Zealand in support of effective natural hazard risk management
- the Kaikōura response model worked well in the circumstances
- the agency model provided a response that was acceptable in terms of speed of settlement and demonstrated insurer capacity to support a cash settlement model
- insurers acting as agents have several advantages to EQC and to customers in a natural disaster response

- based on information available, the agency model appeared cost effective relative to alternatives
- there was substantial agreement on the areas that worked well or could easily be improved, and there was a lot of good will to implement improvements
- market participants expressed a real willingness to be involved with any initiatives aimed at improving the insurance response in a natural disaster, and
- there are questions to be addressed about the future core business and accountability of EQC and work needed to strike a balance between contractual arrangements, legislation, and relationships.

Further development of insurer led model

Following this, the private insurers and EQC started reviewing the model and developing a more permanent insurer-led response model. Key areas that were identified as needing development in the strategic review included:

- data sharing
- performance management
- training and guidance
- assurance, and
- complaints and dispute resolution.¹²

¹⁰ EQC Briefing to the Public Inquiry on the Earthquake Commission: The Kaikōura Earthquake

¹¹ Strategic Review of the EQC Response Model, OricewaterhouseCoopers, November 2018

¹² Strategic Review of the EQC Response Model, OricewaterhouseCoopers, November 2018



Following the Kaikōura earthquake, EQC implemented an outsourced claims management approach in which they worked specifically with three Third Party Administrators (TPAs), three technical service providers, and three legal companies for new EQCover claims. Internal EQC claims management staff continued to work on existing claims, particularly in relation to the Christchurch earthquakes.

Establishment of the NDRM

Natural Disaster Response Agreement

The Natural Disaster Response Model (NDRM) was introduced in July 2021 via the Natural Disaster Response Agreement (NDRA). It initially involved eight insurance partners (AA Insurance, Ando, Chubb, FMG, IAG, MAS, Tower, and Vero) with QBE joining in July 2023. These insurers cover the vast majority **s9(2)(b)(ii)** of the New Zealand residential insurance market.

The purpose of the agreement is to:

- have the insurers manage and settle EQC claims in accordance with the Act on the terms of this agreement and in doing so facilitate the 'Good Customer Outcomes' under schedule 9 of the NDRA
- make use of the experience and customer service focussed approach that insurers bring to the management and settlement of insurer claims, and
- support an efficient and effective use of insurance sector claims response capability following a natural disaster event.

The agreement outlines the key objectives:

- to provide customers with the best possible claims experience and outcomes, through an arrangement that keeps the customer at its centre and enables:
 - fair, fast and efficient settlement of claims
 - a simplified claim settlement process, and
 - certainty of process – so that customers know what to expect
- to increase the efficiency of the claim settlement process by making better use of expertise and limited human resources (including avoiding duplication between insurers and EQC)
- to facilitate a collaborative approach to preparations for future natural disaster event responses, recognising that each event will have unique characteristics and will require a response appropriate to the circumstances, and
- to enable EQC to meet its claims management function in accordance with the Act.

This focus on simplicity and certainty is echoed on the EQC's website page detailing the partnership:

"You'll have a single point of contact and be able to lodge your EQCover claim directly through your private insurer. They'll assess, manage, and settle the entire claim – including the EQCover portion of a claim – on behalf of EQC. Having one point



of contact will deliver simplicity and certainty sooner for you in what can be a very stressful time.¹³

The agreement is supported by the:

- claim coverage and assessment process guidance (Insurer manual)
- EQC assurance framework
- multi-level governance structure
- data requirements, and
- insurer relationship management roles within EQC and NDRM lead roles within insurers.

EQC has also developed a suite of plans and processes to support operations in a natural hazard event. These are outlined in more detail in Appendix 2.

NDRM Governance

The governance framework for the NDRM is set out in schedule 9 of the NDRA and is designed to enable both strategic discussions at the Executive Steering Group and Chief Executive Level and operational decisions through the Relationship Level Governance Group (Figure 3).

Figure 3: NDRM Governance Framework

Levels	Bi-lateral	Multi-lateral
Strategic (executive)	Chief-Executives (six-monthly) Executive Steering Committee Representatives (bimonthly)	Chief Executives (six-monthly) Executive Steering Committee (bimonthly)
Relationship	Party Representatives (monthly)	Relationship Level Governance Group (monthly)
Stakeholders	N/Z	Through industry and community forums

NDRM Stakeholders

In addition to the parties in the NDRA (insurers and EQC), there are several other stakeholders who are actively involved in the operation of the model.

Insurance Council New Zealand

The Insurance Council New Zealand (ICNZ) is the representative body of the insurance industry. It supports the model through involvement in the Relationship-level Governance Group (RLGG), the Executive Steering

¹³ EQC - [Our partnership with private insurers - Natural Disaster Response Model :: Toka Tū Ake EQC](#), accessed Feb 2024.



Committee and Chief Executives Forum. ICNZ provides collective insurance partner input into ongoing NDRM development and coordinates insurance industry response activity following natural hazard events.

Third Party Administrators

While some insurers undertake assessment and/or claims management activity in-house, others contract this function to Third Party Administrators (TPAs). Specialist geotechnical service providers are also contracted by insurers to undertake land damage assessments. EQC also has contracts in place with TPAs and specialist geotechnical service providers to manage EQCover claims that sit outside of the NDRM and to provide surge capacity in the event of a major natural disaster. Some TPAs and geotechnical providers have significant experience from the involvement with EQC prior to the NDRM.

Geotechnical service providers

Geotechnical service providers are involved in the NDRM in two ways. Firstly, they may be commissioned by EQC to undertake reconnaissance work to assess the extent and type of land damage caused by significant natural disaster events. Secondly, they may be contracted by the private insurers to undertake assessments and provide a high-level view of the work required to reinstate land for individual land damage claims.

New Zealand Claims Resolution Service

The New Zealand Claims Resolution Service (NZCRS) is a free government service to provide independent support to homeowners to resolve residential insurance issues resulting from natural disasters. It builds on the knowledge, experience and support provided by the Greater Christchurch Claims Resolution Service (GCCRS) and the Residential Advisory Service



(RAS). The NZCRS replaced both service organisations. NZCRS provides free advice, case management where appropriate and access to legal, engineering and wellbeing support. This support tailored to the individuals' needs.

National Reference Group

The National Reference Group operates as a 'network of networks' to provide strong links between EQC and communities. The group provides community input into EQC's work to make New Zealand communities more resilient for future events and to help people to recover more quickly when damage does occur.

The group was set up at the recommendation of the 2020 Public Inquiry into the Earthquake Commission (the Public Inquiry). Members represent a range of customer groups and will provide EQC with valuable perspectives and expertise across a range of sectors. The member groups are Te Puni Kōkiri, Age Concern, Homeowners Advisory Group, FinCap, Consumer NZ, National Emergency Management Agency, Mental Health Foundation, Disabled Persons Assembly, Ministry for Pacific Peoples, and Rural Women NZ. In relation to natural disaster events the NRG provides feedback on the impact of the event and insurance response.

Early operation of the model

First year of operation

In its first year 2021-2022, 2,291 claims were managed through the new model, with 1,645 being fully resolved by 30 June 2022. While EQCover claim numbers were lower than the previous year there was a change in the type of claims received as 76% were for landslips, storm and flood damage, compared with 31% in 2020-2021.

Some of EQC's Statement of Performance Expectations (SoPE) measures for 2021/22 relating to customer focus were not achieved due to landslip claims taking longer to resolve due to their technical nature.¹⁴

Nelson and Marlborough Flooding 2022

On 17 August 2022 continuous heavy rain in the Nelson and Marlborough areas caused severe landslips and flooding. The rain caused more than 550 landslips with at least 1,200 people evacuated from their homes. This resulted in 1,515 EQCover claims being received. As of 31 March 2024, there are 51 remaining claims to be settled. These are claims where access to the site has been compromised so assessments have been delayed or they are recently lodged claims (homeowners have up to 2 years to lodge a claim).¹⁵

Response to significant natural disaster

When a natural disaster happens, the insurance response may need extra management support and resources to enable the processing of claims quickly and effectively to support improved customer outcomes. The NDRA makes a distinction between 'business as usual' insurer response to natural hazard events and response to a 'significant natural disaster event', which is defined as:

- a natural disaster event or a series of natural disaster events resulting in the lodgement (in total, measured across all insurers) of more than 15,000 EQCover claims with the insurers, or

- a natural disaster event or series of natural disaster events that EQC and the insurers agree should be treated as significant in nature due to the complexity of such event(s).

This is of significance as a declaration of a significant natural disaster event under the NDRM means that the performance measures relating to claims management within EQC's SoPE can be negotiated. EQC and insurers have developed several processes and documents to support management of significant disaster events, including the:

- EQC Event Response Plan
- Joint Event Response Guide
- NDRM Event Communications Plan
- Event Response Team Procedures, and
- Rapid Reconnaissance Plan.

Together these documents are intended to support a coordinated response that benefits customers. The planned response framework envisages EQC staff readiness staff working alongside the RLGG to decide whether the natural hazard event should be treated a 'significant natural disaster event'.

¹⁴ Toka Tū Ake Annual Report 2021/22, [Toka Tū Ake EQC Annual Report 2022](#)

¹⁵ Communication from EQC

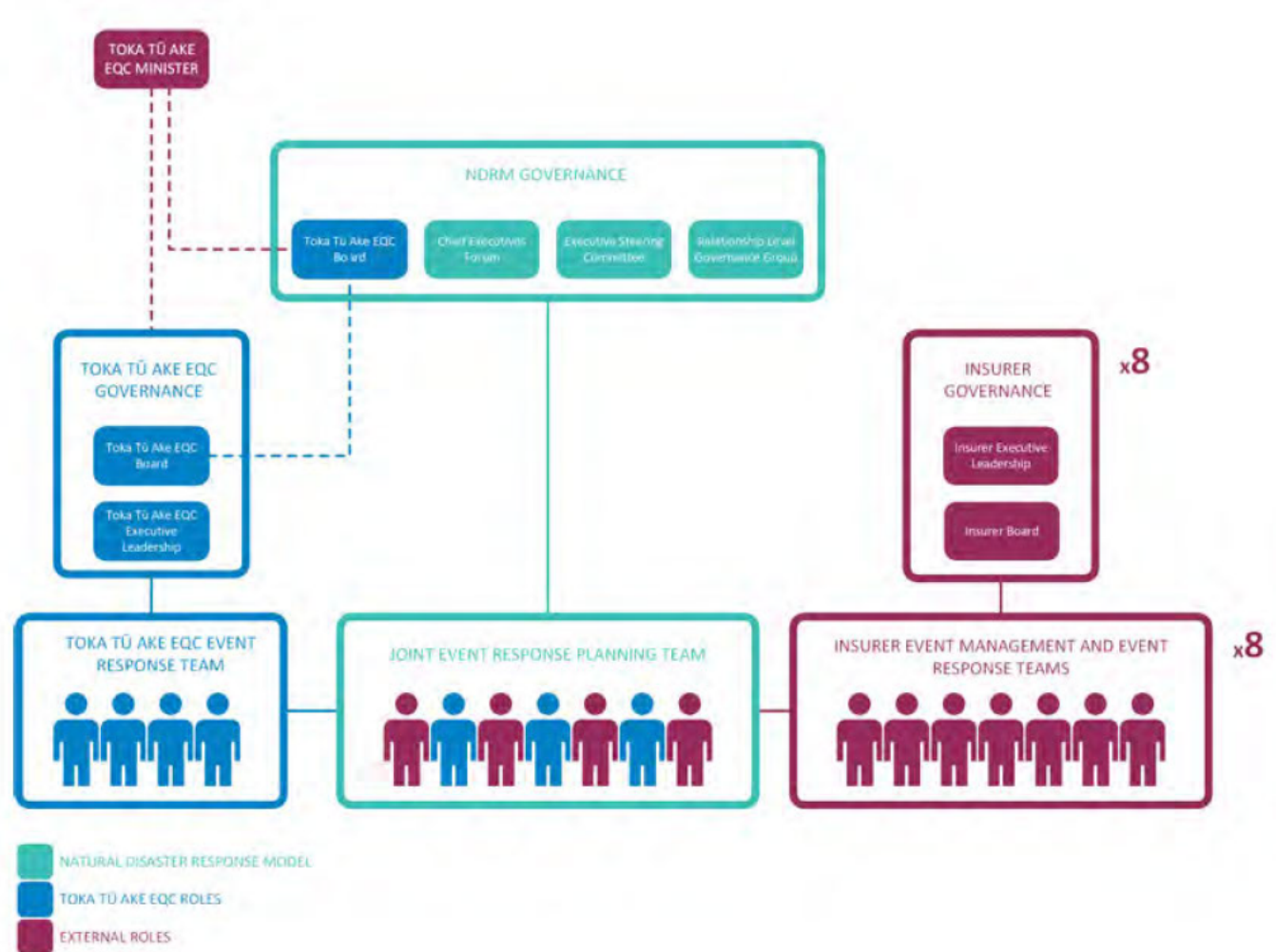


The process in the Event Response Plan to declare a significant natural disaster event is:

- EQC and insurers gather intelligence on insurance impacts
- RLGG meet and submit an Event Mobilisation Recommendation to the Executive Steering Committee (ESC), and
- the recommendation is endorsed by the ESC and approved by the EQC Board.

Figure 4 (right) from the EQC Event Response Plan shows how the different governance and operational groups should work together during an event.

Figure 4: Governance during an event



In the Joint Event Response Guide, following a decision to declare a significant natural disaster event, the next step would be to mobilise a wider Joint Event Response Planning team and develop an event response strategy.

This strategy would include the:

- desired objectives and customer recovery outcomes,
- response priorities, and
- assessment and settlement approaches.

Figure 5: Steps for joint event management



Appendix 2: Response to North Island weather events

Timeline of events

As part of our investigations, we worked to build an understanding of 'what happened when' following the NIWE which is detailed in Figure 6 below.

The heavy rainfall and subsequent flooding on Auckland Anniversary weekend were somewhat unexpected, in that the extent of the rain was not forecast in advance. On the evening of 27 January 2023, MetService upgraded an orange rain warning in Auckland to a red rain warning, the highest level of warning available, while the city was already flooding.

As the scale of the flooding in Auckland became apparent, insurers stood up their surge capability to manage claims. Flood damage to property is not covered by EQCover therefore the initial insurer view was that this was a general insurance event. Within EQC, an internal Event Response Team (ERT) as outlined in the EQC Event Response Plan, was activated on receipt of red rain warning and was focused on gathering information on level of property damage and providing situational reports (sitreps) for internal stakeholders.

The RLGG met on 9 February and the focus for EQC was around preparations for Cyclone Gabrielle following the MetService Severe Weather Watches for Heavy Rain and Strong Wind.

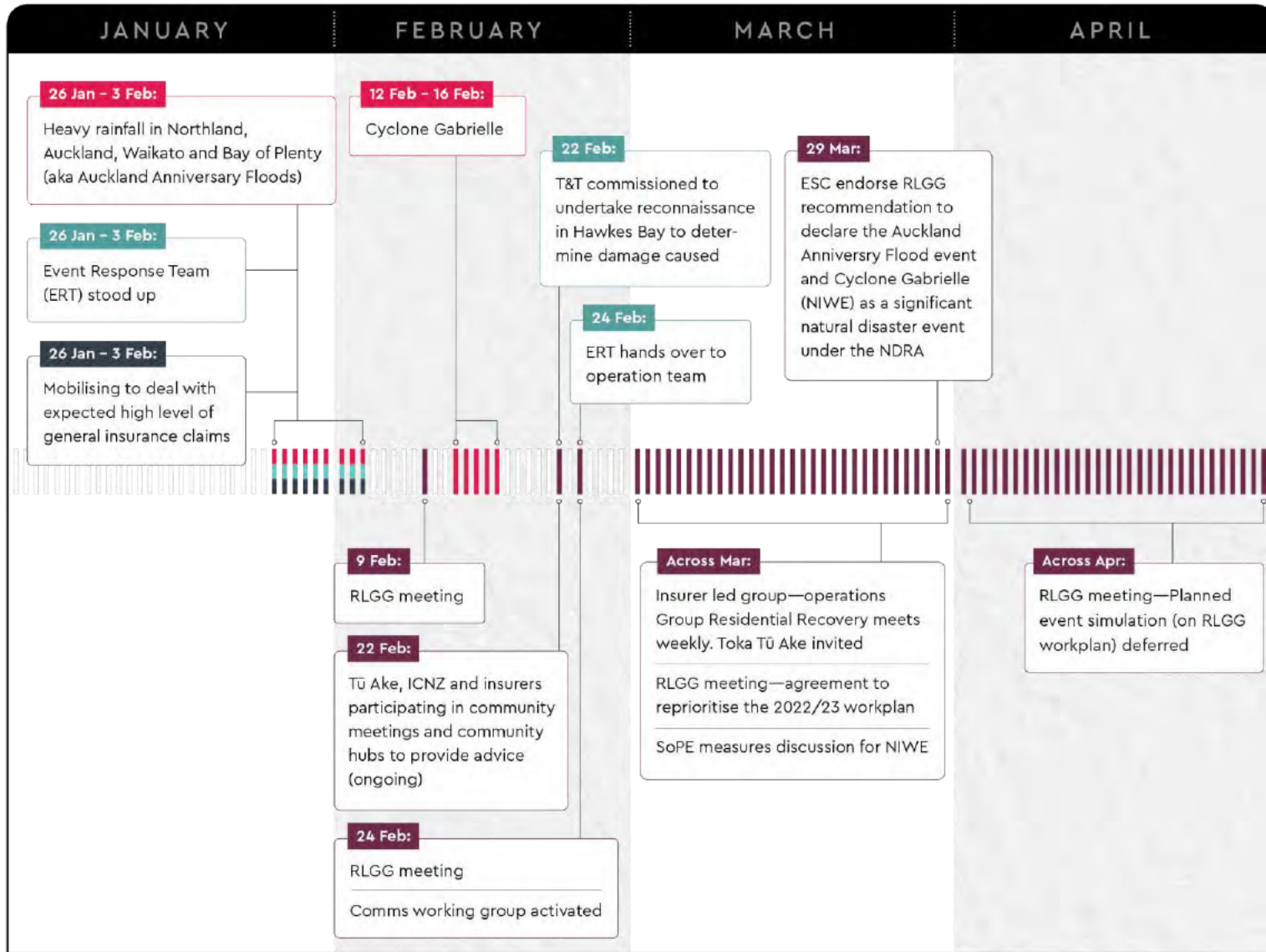
Following Cyclone Gabrielle, the Executive Steering Committee (ESC) met on 22 February 2023 and discussed that given the Cyclone Gabrielle impacts and the extent of landslip damage in Auckland, the claims from the North Island floods and cyclone should be treated as a significant natural disaster event under the NDRA. The RLGG were asked to provide a paper for the ESC to endorse.

The RLGG prepared an ESC paper requesting that ESC endorse the recommendation to declare the EQCover claims from the Northland, Auckland, Waikato, Hawkes Bay, and Bay of Plenty region as a significant natural disaster event. The paper acknowledged that further rainfall had negatively impacted areas that had previously flooded and that the volume and spread of the silt damage in the Hawkes Bay region will be challenging for community recovery, particularly due to the limitations on EQCover and need for clarity on costs to remove silt from areas outside the Act. This recommendation was endorsed by ESC on 29 March 2023 and noted by EQC's Board.

This decision had the effect of removing the requirement to resolve NDRM claims within the existing SoPE timeframe (six months), and discussions were initiated to inform the claim resolution targets for the NIWE for the 2023/24 SoPE.



Figure 6: Timeline of early NDRM response to the NIWE



We heard that as the insurance response was well underway by the time it was decided to declare the NIWE as a significant natural disaster event, the outlined process was not followed. The insurers established a group, Operations Group Residential Recovery, which was used to collectively discuss issues, including with EQC, relating to the claims for the NIWE. This group met weekly from 2 March 2024. A Joint Event Response Strategy document was not developed. The ERT handed over to EQC Operational Lead (Head of Claims) on 24 February 2023. In the handover process it was noted that there were a number of policy positions that needed reviewing or developing based on known damage:

- apportionment for damage from Auckland flooding, Cyclone Gabrielle, Wellington earthquake, and existing BAU
- differentiation between silt and debris damage between flooding, storm, and landslip
- post clean-up invoices where before and after photos are non-existent
- non-commercial clean-up where properties may have been partially or completely cleaned-up by the community or other agencies or organisations
- an NDRM coordinated clean-up or individual insurer clean-up or repair
- excess collection if a clean-up or repair is performed
- communicating how cash settlements should be used and inflationary impacts, especially given current construction market conditions, and
- another agency leading a coordinated clean-up including cost sharing, customer communications, support requirements, and already settled customers.



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