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# Statement of Performance Expectations

2024-2025



This Statement of Performance Expectations is a formal public accountability document required under Section 149C of the Crown Entities Act 2004. It outlines the planned work and financial information for the period 1 July 2024 to 30 June 2025 for Natural Hazards Commission Toka Tū Ake. Relevant historical and forecast comparison information is also provided for the benefit of readers.



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June 2024  
Natural Hazards Commission Toka Tū Ake  
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# Board Statement of Responsibility

This *Statement of Performance Expectations 2024-2025* sets out our proposed performance targets and forecast financial information for the year 1 July 2024 to 30 June 2025. It is produced in accordance with the requirements of the Crown Entities Act 2004.

Natural Hazards Commission Toka Tū Ake (NHC Toka Tū Ake) is responsible for the preparation of this Statement of Performance Expectations, including the non-financial measures and prospective financial statements, and the appropriateness of the assumptions on which they are based.

The prospective financial statements have been prepared in accordance with PBE FRS-42. They have not been audited and should not be relied on for any other purpose.

**Chris Black**  
Board Chair  
20 June 2024

**Ruth Dyson**  
Deputy Board Chair  
20 June 2024

# The year ahead

The beginning of 2024 saw the one-year anniversary of Cyclone Gabrielle and other severe weather events in the North Island. The physical, environmental and economic damage caused by these events has continued to impact communities and individuals long after the weather left our shores. Homeowners have up to two years to lodge a claim under the natural hazards scheme (subject to conditions). We will continue to help those affected by these challenging events as claims continue to be lodged, working closely to support private insurers who manage claims on our behalf under the Natural Disaster Response Model (the operating model).

The 2023 North Island Weather Events resulted in the largest number of land claims ever received by the natural hazards scheme. For most natural hazard events, the damage occurs to buildings. But for these events, most EQCover claims were for damage to land or the clean-up of land.

New Zealanders are fortunate to have land cover; New Zealand is one of the few countries in the world to have natural hazards insurance that covers residential land. However, the cover is subject to limitations set out in the Natural Hazards Insurance Act (NHI Act), or the Earthquake Commission Act (EQC Act) if the damage occurred before 1 July 2024.

One limitation is that land claims paid out under the scheme may not cover the full cost to repair the damage. Many homeowners may find they need to fund the damage that falls outside the scope of the scheme themselves. Understandably, this can cause disappointment and distress, especially if the claim takes a while to settle. Land claims generally take longer to assess than building claims as they are often more complex and require more resources to assess and settle.

We acknowledge the concerns homeowners may have with land claims and are committed to looking for improvements where we can. We began a review of the North Island Weather Events in 2023/24 and will act on the insights from that review starting in 2024/25.

New Zealand's active landscape has always placed us at high natural hazard risk. We know climate change is going to compound that risk, with severe weather events like that experienced by the North Island likely to increase in frequency and severity in coming years. This means we are also likely to face increasing damage to land, resulting in more land claims.



NHC Toka Tū Ake is committed to building its readiness for a climate change-impacted future, for example, by exploring new technology to help with damage assessment, and improving the way we communicate with homeowners so that they can strengthen their resilience. We also continue to improve our preparedness for those less frequent, but invariably more impactful, natural hazard events driven by geological movement within the Earth's crust. We do this through our ongoing investment in loss modelling, our operating model, and the science and research we fund and support. It is vital we remain vigilant and work to understand and prepare for both.

The need to improve our readiness is one reason why the NHI Act increased our focus on strengthening resilience, so that we can help prevent or at least minimise the impacts of natural hazard events before they occur. The new emphasis on our role in resilience will also drive efforts to encourage better informed resilience-oriented decisions, particularly in relation to land-use planning and building standards, and to have systems and processes in place that enable more effective recovery for homeowners and communities.

The challenges we are facing in preparing for and recovering from natural hazard events in New Zealand are being felt globally. This is putting strain on natural hazards insurance domestically and overseas, as financial and reinsurance markets grapple with the volatility of natural hazard risk.

In the year ahead, we will continue to manage the Natural Hazard Fund and secure reinsurance from international markets to ensure financial support is available to New Zealanders when natural hazard events strike. Increasing our resilience is one way we can have a meaningful impact on the long-term insurability of natural hazard risks in New Zealand.

## Our focus for 2024-2025

### Statement of Intent and Strategic Framework

On 1 July 2024, NHC Toka Tū Ake embarked on the first year of its new *Statement of Intent 2024-2028* (SOI).

Developing the new SOI provided an opportunity to review our strategic framework and ensure it aligned with our strategic direction over the coming four years. The new strategic framework, described in more detail at page 16, aligns with the NHI Act in having a greater focus on resilience and making homeowners and communities more visible in our overarching strategy. Delivering on the priorities set out in the SOI and strategic framework will be an important focus for 2024-2025.

Each year, we agree a Statement of Performance Expectations (SoPE) with the Minister to progress delivery against our four-year SOI. The SoPE sets out the progress we expect to make against the strategic priorities and outcomes outlined in the SOI, and in doing so demonstrates the value we provide to New Zealanders.



This *Statement of Performance Expectations 2024-2025* sets out our plans for how we will deliver against our strategy in the year ahead and continue to respond to emerging challenges and opportunities. It should be read alongside the SOI.

## **Implementing the Natural Hazards Insurance Act 2023**

On 1 July 2024, the NHI Act replaced the EQC Act for damage that occurs to residential properties following a natural hazard event. This means that, from 1 July 2024, we are managing two insurance schemes:

- for events that occurred on or prior to 30 June 2024, EQCover applies.
- for events occurring on or after 1 July 2024, NHCover applies.

This is a significant milestone for our organisation, and we have been working hard to prepare for all that the new legislation requires.

Over the coming year we will maintain a strong focus on further embedding the changes from the NHI Act, including supporting our insurer partners, stakeholders and homeowners, to understand what has changed for them. There are several key requirements of the NHI Act:

- a Crown Funding and Risk Management Statement (FRMS)
- a Code of Insured Persons' Rights
- a complaint procedure and dispute resolution scheme.

As these mechanisms are introduced and embedded, we will stay connected with our insurer partners, stakeholders, homeowners and communities to understand their impact, and continuously improve our ability to deliver a transparent, timely, high-quality and responsive process for insurance claims.

## **Strengthening resilience**

While insurance is a crucial element for recovering from natural hazard events, it cannot alleviate all the impacts of natural hazards on individuals, whānau, communities and society. Resilience is the term we use to describe our collective ability to prevent and reduce natural hazard impacts, and to have systems and processes in place that enable more effective recovery. Strengthening resilience is a key priority for 2024-2025.

New Zealand faces some complex challenges when it comes to increasing our resilience to damage from natural hazard events. We can address these challenges and increase our resilience by considering the potential physical, social, economic and environmental consequences of natural hazard events in our everyday decisions and actions.

In 2024-2025, we will continue to invest in science and research. We will use the information gained from that investment to inform our understanding of risk (through loss modelling) and to encourage good decisions by a wide range of stakeholders, from Ministers and central government policy-makers to local councils and homeowners.



NHC Toka Tū Ake occupies a unique space between the insurance and reinsurance markets, central and local government, the science and research sector, and homeowners and communities. This means we can leverage our investment in science, research, data and modelling to support decision-makers to make more informed resilience-oriented decisions, and empower people to act. This might be councils wanting to better understand the risks of building in certain areas, engineers looking for new technologies, or homeowners wanting to make their houses more resistant to damage from natural hazards.

In 2023, we launched the Natural Hazards Portal, which enables anyone to view settled EQCover and NHCover claim information from 1997 onwards, and provides easy access to local and regional information on natural hazard risk. In the coming year, we will continue to invest in the Natural Hazards Portal to grow its scope and functionality, with the aim of it becoming a comprehensive platform for natural hazards risk management.

## **Maturing the Natural Disaster Response Model**

2024-2025 will be the fourth full year of operation for our operating model, the Natural Disaster Response Model. The operating model covers the vast majority (over 95%) of the New Zealand residential insurance market. NHC Toka Tū Ake continues to directly manage NHCover claims from the small number of homeowners not covered by the operating model.

The operating model has been well tested in its first few years, with insurers managing over 17,500 claims on our behalf since it was implemented on 30 June 2021. The number of claims in the operating model's first year was relatively low. However, approximately 13,000 claims have been lodged since then, including for damage caused by the Nelson/Marlborough floods in August 2022, and the severe flooding from the North Island Weather Events in early 2023. This represents a larger-than-usual number of claims and a change in the mix of those claims, with more land claims and proportionately fewer building claims.

The operating model is an ambitious partnership that is progressing well. We would expect a new model like this to take five years to fully mature. This is partly because of the need to adjust to the impacts of the COVID-19 pandemic and the 2023 North Island Weather Events. In the coming year, we will continue to focus on maturing the operating model for the benefit of homeowners. We will develop an implementation plan for the lessons identified following the North Island Weather Events and our event scenario response plans. We will also continue working with insurers to implement continuous improvement approaches across assurance, data and claims management operations to enhance the efficiency and effectiveness of the operating model.



## **Resolving Canterbury and Kaikōura earthquake claims remains a priority**

We are working hard to resolve outstanding reopened Canterbury and Kaikōura claims so that remaining aspects of earthquake-related damage are addressed within the scope of the scheme under the EQC Act.

Since 2019, our Canterbury claims programme has experienced a declining number of inquiries from homeowners seeking to reopen a claim. We expect this trend of declining reopened claim numbers to continue in the coming year.

As almost 14 years have now passed since the first earthquake in September 2010, it has generally become harder to distinguish earthquake damage from natural deterioration and wear and tear. However, we will continue working with homeowners to address residual damage in a transparent, timely, high-quality, responsive and enduring manner where the damage is earthquake-related.

We will also continue to focus on progressing homeowner settlements under the Crown's On-sold Support Package programme, and anticipate many more homeowners will have completed reinstatements by the end of this financial year.

We are proud of the high customer satisfaction measures we continue to achieve across Canterbury claims and the On-sold programme.

## **Our people**

We have great people who strongly connect with our organisational purpose. As an organisation that benefits from high levels of staff engagement, we wish to build on this strength so that our people can successfully deliver our strategic priorities and outcomes for homeowners and communities.

Over the coming year, as our role evolves with the responsibilities of the NHI Act, we will continue to prioritise building a healthy culture, including reviewing our values to ensure they are aligned with our updated strategic framework. We will build on being adaptable and flexible, with teams that come together, leveraging diversity and capability, to take on challenges and try new things, get work done and continuously improve.

We will continue to help people to grow and develop, so they have career opportunities and the expertise and capabilities we need now and going forward. We will also continue to develop our leaders, so they are able to inspire, coach and empower their teams to deliver their best every day.

The hard work, passion and commitment of our people are the key to our success. Through their continued efforts, we have cause to be confident in the year ahead as we work to bed in the NHI Act operationally and reduce the impact of natural hazards on people, property and communities.



# Te tau e tū mai nei

Nō te tīmatanga o te tau 2024 te huritau kotahi-tau o te Huripari Gabrielle me ētahi atu pānga huarere kino i te taha raki o Te Ika ā-Māui. Kua pā tonu nei te whakakino ā-tinana, ā-taiao, ā-ōhanga hoki i pūtakea mai i aua pānga ki ngā hapori, ki ngā tāngata hoki tae noa ake mai i te wehenga atu o te huarere i ō tātou nei takutai. Kei ngā rangatira kāinga te tae atu ki te rua tau hei tuku i tētahi kerēme i raro i te kaupapa matepā māori (e ai ki ngā here). Ka āwhina tonu mātou i a rātou i pāngia e aua pānga taumaha i te tukunga tonutanga mai o ngā kerēme, me te whakapiri atu i te mahi hei tautoko i ngā kairiānga tūmataiti e whakahaere ana i ngā kerēme mō mātou i raro i te Natural Disaster Response Model (te tauira whakahaere).

Nā ngā pānga huarere i te taha raki o Te Ika-a-Māui i puta te maha tino nui rawa atu o ngā kerēme whenua kua riro i te hōtaka mai rā anō. Mō te nuinga o ngā pānga matepā māori, ka pā te whakakino ki ngā whare. Heoi mō ēnei pānga, i hāngai ake te nuinga o ngā kerēme EQCover ki te whakakino ki te whenua, ki te whakatika anō i te whenua rānei.

E waimarie ana te hunga o Aotearoa kei a tātou te kapi whenua; ko Aotearoa tētahi o ngā whenua ruarua i te ao e whai ana i te rīanga matepā māori ka kapi ai te whenua ā-noho. Heoi anō, e herea ana te kapi nei e ngā here e whakatakotoria ana ki te Natural Hazards Insurance (NHI) Act, (ki te

Earthquake Commission (EQC) Act rānei mēnā i pā atu te whakakino mua i te 1 o Hūrae i te tau 2024). Ko tētahi here ko ngā kerēme whenua ka utua i raro i te kaupapa kāore pea e utu i te utu katoa hei whakatika i te whakakino. Ka kitea pea e ngā rangatira kāinga maha me utu e rātou anō ngā utu whakatika mō te whakakino ka tau ki waho atu i te hōkai o te kaupapa. Nā whai anō, ka pūtakea mai pea te nanu, te auhi hoki, inarā mēnā ka roa te wā kia tau ai te kerēme. I te nuinga o te wā ka roa ake te wā hei arotake i ngā kerēme whenua i ngā kerēme whare nā te mea he matatini ake pea, ā, ka hiahiatia pea ngā rawa nui ake hei arotake, he whakatau hoki.

E whakaū ana mātou i ngā take kei ngā rangatira kāinga pea mō ngā kerēme whenua, ā, e ū ana mātou ki te rapu i ngā āhuetanga hei whakapai ake ina taea ana. I tīmata mātou i tētahi arotake o ngā pānga huarere i te taha raki o Te Ika-a-Māui i te tau 2023/24, ā, ka mahi atu mātou i runga i ngā māramatanga o taua arotake me te tīmata ake i te tau 2024/25.

Mai rā anō nā te horanuku hohe o Aotearoa i nui tō tātou tūraru matepā māori. E mōhio nei tātou ka whakapakaritia taua tūraru e te āhuarangi hurihuri, ā, e tinga ana ka piki ake te auau me te kaha o ngā pānga huarere kino pērā i tērā i pā atu ki te taha raki o te Ika-a-Māui hei ngā tau e heke mai nei. Mā konei e tinga ana ka nui ake hoki te whakakino ki te whenua ka arohia e tātou,

nā ka whai ngā kerēme whenua nui ake.

E ū ana a NHC Toka Tū Ake ki te whakapiki i tana riterite ki te anamata e pāngia ana e te āhuarangi hurihuri, hei tauira, mā te tūhura i te hangarau hou hei āwhina atu i te aromatawai whakakino, hei whakapai ake hoki i te āhua o tā mātou whakawhiti kōrero ki ngā rangatira kāinga kia pai ai tā rātou whakakaha i tō rātou aumangea. Kei te whakapai tonu atu hoki mātou i tō mātou tū riterite mō ēnei pānga matepā māori e kōkirihia ana e te nekehanga ā-nuku i roto tonu i te kiri o te ao, he iti iho te auau, engari kāore e kore he nui ake te pānga. Ka pēnei mātou mā tā mātou haumi haere tonu ki te whakatauiria ngaronga, ki tā mātou tauira whakahaere, ki te pūtaiao me te rangahau e utua ana, e tautokona ana e mātou. He mea waiwai kia tū mataara tonu mātou, kia mahi tonu mātou hei mārama, hei whakarite ki ngā mea e rua.

Ko te hiahia ki te whakapai ake i tā mātou riterite ko tētahi o ngā take i whakapikihia e te NHI Act tā mātou aronga ki te whakakaha i te aumangea, kia taea e mātou te āwhina ki te ārai, ki te whakaheke rawa rānei i te itinga iho o ngā pānga matepā māori i mua i te tū mai o aua pānga. Ka kōkirihia hoki e te aronga ake hou ki te wāhanga kei a mātou mō te aumangea ngā mahi hei āki i ngā whakatau aro-aumangea i runga i te mōhiohio pai ake, inarā ērā e pā ana ki te whakamahere whakamahinga-whenua me ngā paerewa hanga, ā, kia whai i ngā pūnaha, i ngā tukanga hoki e whakaahei ai i te whakaora whaihua ake mō ngā rangatira kāinga, mō ngā hapori anō hoki.

E rangona ana huri noa i te ao ngā wero e arohia ana e mātou hei whakarite i

ngā pānga matepā māori i Aotearoa, hei whakaora ake i aua pānga hoki, ā, nā konei e pēhia ana te rīanga matepā māori i tēnei whenua, i tāwāhi anō hoki, i tā ngā mākete ā-ahumoni, ā-rīanga anō oke i te matawhawhati o te tūraru matepā māori. Hei te tau e heke mai ana, ka whakahaere tonu mātou i te Natural Hazard Fund, ā, ka whakaū i te rīanga-anō i ngā mākete ā-ao hei whakarite e wātea mai ana te tautoko ā-ahumoni ki te hunga o Aotearoa ina pā mai ngā pānga matepā māori. Ko te whakapiki i tō tātou aumangea ko tētahi ara ka taea e tātou te whakaputa i te pānga whitake atu ki te taeatanga o te rīanga wā-roa mō ngā tūraru matepā māori i Aotearoa nei.

## Tā mātou aronga mō te tau 2024-2025

### Tauākī Whakamaunga atu me te Pou Tarāwaho Rautaki

I te 1 o Hūrae i te tau 2024, ka hoake a NHC Toka Tū Ake i te tau tuatahi o tana *Tauākī Whakamaunga Atu 2024-2028* (SOI) hou.

Nā te whakawhanake i te SOI i tuku te ara wātea hei arotake i tā mātou pou tarāwaho rautaki me te whakarite e hāngai ana ki tā mātou aronga rautaki ā roto i ngā tau e whā e heke mai ana. E hāngai ana te pou tarāwaho rautaki hou, e āta whakaahuarua nei i raro iho, ki te NHI Act i runga i tana aronui nui ake ki te aumangea, ki te whakarite kia nui ake te kitea o ngā rangatira kāinga, o ngā hapori hoki i tā mātou rautaki tuanui. He aronga whakahirahira te tuku i ngā whakaarotau e whakatakotoria ana ki te SOI, ki te pou tarāwaho rautaki hoki mō te tau 2024-2025.



Ia te tau, ka whakaae tahi mātou ko te Minita i tētahi Tauākī o ngā Taumata Mahi me Whakatutuki (SoPE) hei kauneke i te tukunga ki tā mātou SOI ā-whā tau. E whakatakotoria ana e te SoPE te kauneke e tūmanakotia ka tutuki i a mātou ki ngā whakaarotau rauaki me ngā putanga e whakatakotoria ana ki te SOI, ā, nā konei e whakaaturia ana te uara e tukuna ana e mātou ki te hunga o Aotearoa.

Kei te whakatakoto tēnei Tauākī o ngā *Taumata Mahi me Whakatutuki 2024-2025* i ā mātou mahere mō te pēhea e tukuna ai ki tā mātou rautaki hei te tau e tū mai nei, e urupare tonutia ai e mātou ki ngā wero e puta haere nei, me ngā ara wātea hoki. Ko tōna tikanga me pānui tahi ki te SOI.

## **Te whakatinana i te Natural Hazards Insurance Act 2023**

I te 1 o Hūrae i te tau 2024, i whakakapi te NHI Act i te EQC Act mō te whakakino ka pā ki ngā papanoho ā-noho whai muri i tētahi pānga matepā māori. Nā konei atu i te 1 o Hūrae i te tau 2024, e whakahaere ana mātou i ngā kaupapa rīanga e rua.

- mō ngā pānga i pā i mua i te 30 o Hune i te tau 2024, e hāngai atu ana te EQCover
- mō ngā pānga ka pā i te 1 o Hūrae i te tau 2024, ā muri ake rānei, e hāngai atu ana te NHCover.

He pae nui tēnei mō tō mātou whakahaere, ā, i te pukumahi mātou hei whakarite mō ngā āhuatanga katoa e herea ana e te ture hou.

Ā roto i te tau e tū mai nei ka ū tonu mātou ki te aronui kaha ki te whakaū i ngā huringa

i te NHI Act, tae atu ki te tautoko i ō mātou hoa kairianga, i te hunga whai pānga, i ngā rangatira kāinga hoki, hei mārāma ki ngā huringa e hāngai pū ana ki a rātou. Arā ētahi here matua o te NHI Act:

- tētahi Tauākī Tuku Pūtea me te Whakahaere Tūraru (FRMS)
- tētahi Tikanga o ngā Motika o te Hunga Whai Rīanga
- tētahi tukanga amuamu me tētahi kaupapa whakatau tautohenga.

Whakaurua ai, whakaūngia ai ēnei taputapu, ka noho tūhono tonu mātou ki ō mātou hoa kairianga, ki te hunga whai pānga, ki ngā rangatira kāinga, ki ngā hāpori hoki hei mārāma ki ngā pānga o aua taputapu, hei whakapai haere tonu i tō mātou āheinga ki te tuku i tētahi tukanga pūataata, he pai te wawe, he kounga, he mea urupare hoki mō ngā kerēme rīanga.

## **Te whakapakari i te aumangea**

Ahakoia he waehanga waiwai te rīanga ina whakaora ake ana i ngā pānga matepā māori, tē taea tana whakamāmā i ngā pānga katoa o ngā matepā ki ngā tāngata, mā ngā whānau, mā ngā hāpori, mā te pāpori anō hoki. Ko te aumangea te kupu e whakamahia ana e mātou hei whakaahua i tō tātou āheinga ngātahi, hei ārai, hei whakaiti hoki i ngā pānga matepā māori, ā, kia whai i ngā pūnaha, i ngā tukanga e whakaahei ai i te whakaoranga pai ake. Ko te whakapakari i te aumangea ko tētahi whakaarotau matua mō te tau 2024-2025.

Kei te arohia e Aotearoa ētahi wero matatini mō te whakapiki i tō tātou

aumangea ki te whakakino mai i ngā pānga matepā māori. Ka taea e tātou te anganui ki ēnei wero, me te whakapiki i tō tātou aumangea mā te whai whakaaro ki ngā otinga pea ā-tinana, ā-pāpori, ā-ōhanga, ā-taiao hoki o ngā pānga matepā māori ki ā tātou whakatau, ki ā tātou mahi o ia rā.

I te tau 2024-2025, ka haumi tonu mātou ki te pūtaiao, ki te rangahau hoki. Ka whakamahi mātou i te mōhiohio ka riro mai i taua haumitanga hei whakamōhio i tō tātou māramatanga ki te tūraru (mā te whakatauirā ngaronga), hei āki hoki i ngā whakatau pai nā ngā tini hunga whai pānga, atu i ngā Minita me ngā kaihangā kaupapa here o te kāwanatanga ā-motu ki ngā kaunihera ā-rohe me ngā rangatira kāinga.

He wāhanga motuhake tō NHC Toka Tū Ake i waenga i ngā mākete rīanga me ngā mākete rīanga-anō, i te kāwanatanga ā-motu me te kāwanatanga ā-rohe, i te rāngai pūtaiao me te rangahau, i ngā rangatira kāinga me ngā hapori anō hoki. Nā konei e taea ana e mātou te tū i runga i tā mātou haumitanga ki te pūtaiao, ki te rangahau, ki te raraunga, ki te whakatauiratanga hoki hei tautoko i te hunga hanga whakatau ki te hanga i ngā whakatau aro-aumangea ake i runga i te mōhiohio nui ake, me te whakamana i ngā tāngata ki te tū ki te mahi. Tērā pea ko ngā kaunihera tērā e hiahia ana kia pai ake tā rātou mārama ki ngā tūraru o te hanga i ētahi ake wāhi, ko ngā kaipūkaha tērā e rapu ana i ngā hangarau hou, ko ngā rangatira kāinga tērā e whai ana kia kaha ake ō rātou whare ki te ārai i te whakakino mai i ngā matepā māori.

I te tau 2024, i whakarewaina e mātou te Natural Hazards Portal, e whakaahei ai i te katoa ki te tiro i ngā mōhiohio kerēme EQCover, NHCover hoki kua whakatauria, mai i te tau 1997 ā mohoa nei, ā, e tukuna ana te tomopai māmā ki ngā mōhiohio ā-rohe, ā-takiwā hoki mō te tūraru matepā māori. Ā te tau e tū mai nei, ka haumi tonu mātou ki te Natural Hazards Portal hei whakapiki i tōna hōkai, i te taunga o āna mahi, me te whainga kia tū mai ia hei pae matawhānui mō te whakahaerenga tūraru matepā māori.

## **Te Whakapakeke i te Tauira Urupare Aituā Māori**

Ko te tau 2024-2025 ko te tau tōtahi tuawhā o te mahi mō tā mātou tauira whakahaere. Ka kapi i te tauira whakahaere te tino nuinga (neke atu i te 95%) o te mākete rīanga noho o Aotearoa. Kei te whakahaere tōtika tonu a NHC Toka Tū Ake i ngā kerēme NHCover mai i te tokoiti o ngā rangatira kāinga kāore i te kapi i te tauira whakahaere.

Kua pai te whakamātau i te tauira whakahaere i ōna tau tuatahi, ā, kua whakahaere ngā kairīanga i te neke atu i te 17,500 o ngā kerēme mō mātou mai i tana whakatinanatanga i te 30 o Hune i te tau 2021. He āhua iti o te tatau o ngā kerēme i te tau tuatahi o te tauira whakahaere. Heoi ko tōna 13,000 ngā kerēme kua tukuna mai i tērā wā, tae atu ki ērā mō te whakakino nā ngā waipuke i Whakatū/Wairau i te Ākuhata i te tau 2022, mō te waipuke kino i te taha raki o Te Ika-a-Māui, i a Huripari Gabrielle i te tīmatanga o te tau 2023. E whakaaturia nei te tatau nui ake i te tatau



noa o ngā kerēme, me tētahi panoni ki te hanumitanga o aua kerēme, arā, he nui ake ngā kerēme whenua, he riterite te itinga iho o ngā kerēme whare.

He whakahoatanga eke maunga teitei te tauira whakahaere e pai ana tana kauneke. E whakapaetia ana e mātou ka rima tau kia pakeke katoa tētahi tauira hou pēnei. Ko tētahi o ngā take e pēnei ana ko te hiahia ki te urutau ki ngā pānga o te urutā KOWHEORI-19, o ngā pānga huarere i te raki o Te Ika-a-Māui i te tau 2023, kāore anō aua āhuatanga e rua kia kitea i te whakarewatanga ake o te tauira.

Ā te tau e tū mai nei, ka aronui tonu mātou ki te whakapakeke i te tauira whakahaere hei painga mō ngā rangatira kāinga. Ka whakawhanake tonu mātou i tētahi mahere whakatinanatanga mō ngā akoranga i tautuhia whai muri i ngā pānga huarere i te raki o Te Ika-a-Māui, i ā mātou mahere urupare ki ngā āhuatanga pea o ngā pānga. Ka mahi tahi tonu mātou ki ngā kairiānga hei whakatinana i ngā aronga whakapai ake haere tonu puta noa i ngā mahi whakahaere whakatūturu, raraunga, kerēme hoki hei whakarākei ake i te pai, i te whaihua hoki o te tauira whakahaere.

## **Kei te noho whakaarotau tonu te whakatau i ngā kerēme rū whenua i Waitaha, i Kaikōura hoki**

E pukumahi ana mātou hei whakatau i ngā kerēme i Waitaha kua whakatuwheratia anō kia anganuihia ngā āhuatanga e toe ana o te whakakino hāngai-rū whenua i roto i te hōkai o te kaupapa i raro i te EQC Act. Mai i te tau 2019, kua kitea e tā mātou

hōtaka kerēme i Waitaha te maha e heke haere ana o ngā uiui mai i ngā rangatira kāinga e whai ana ki te whakatuwhera anō i tētahi kerēme. E tūmanakohia ana ka haere tonu tēnei ia o te heke haere o te maha o ngā kerēme kua whakatuwheratia anō ā te tau e heke mai nei.

Kua tata ki te 14 tau ināianei mai i te rū whenua tuatahi i te Hepetema i te tau 2010, ā, ka uaua noa ake te whakawehe i te whakakino rū whenua i te tauheke māori i te whakamahinga. Heoi ka mahi tahi tonu mātou ki ngā rangatira kāinga hei anganui ki te whakakino e toe ana mā te āhua pūataata, he pai te wawe, he kounga, he mea urupare, he pūmau hoki ina hāngai te whakakino ki te rū whenua.

Ka aronui tonu mātou ki te kōkiri whakamua i ngā whakataunga rangatira kāinga i raro i te hōtaka Kete Tautoko ka Hokona-anō a te Karauna, ā, e tūmanakohia ana kua oti i ngā rangatira kāinga maha atu ngā whakahokinga anō hei te mutunga o tēnei tau ahumoni.

E poho korerū ana mātou i te kaha ngata o ngā kiritaki e whakatutukihia tonutia ana e mātou huri noa i ngā kerēme i Waitaha me te hōtaka Hokona-anō.

## **Ā mātou tāngata**

Kei a mātou ngā tāngata rawe he kaha nō rātou ki te tūhono mai ki tō mātou take ā-whakahaere. Hei whakahaere e whaihua ana i ngā taumata nui o te tūhononga ā-kaimahi, he hiahia nō mātou ki te whakapakari tonu i taua whirikoka, kia pai te tuku a ā mātou tāngata i ō mātou whakaarotau rautaki me ngā putanga



mō ngā rangatira kāinga, mō ngā hapori anō hoki.

Ā roto i te tau e tū mai nei, ā te whanake haere o tā mātou mahi ki ngā haepapatanga o te NHI Act, ka whakamātāmua tonu mātou i te hanga i te ahurea hauora, tae atu ki te arotake i ō mātou uara hei whakarite e hāngai mai ana ki tā mātou pou tarāwaho rautaki i whakahoungia. Ka whakapakari tonu mātou i te noho urutau, i te noho pīngore, tahi ki ngā rōpū ka piri ngātahi, ka tū i runga i te kanorau, i te āheinga, hei kawē i ngā wero me te whakamātau i ngā mea hou, hei mahi i te mahi, hei whakapai ake haere tonu atu.

Ka āwhina tonu mātou i ngā tāngata ki te tipu, ki te whanake haere, kia whai rātou i ngā ara wātea ā-mahi, i ngā pūkenga, i ngā āheinga hoki e hiahiatia ana e mātou ināianei, ā, haere ake nei. Ka whakawhanake tonu mātou i ā mātou kaiārahi, kia taea e rātou te whakaohoho, te whakangungu, te whakamana hoki i ō rātou rōpū hei eke ki te taumata ia te rā.

Ko te pukumahi, ko te ngākau whiwhita, ko te ūnga o ā mātou tāngata te ngako kia tū angitu ai mātou. Mā ā rātou mahi auau, e whai take ana mātou kia tū māia i te tau e tū mai nei i a mātou e mahi ana hei whakaū ā-mahi i te NHI Act, hei whakaheke hoki i te pānga o ngā matepā māori ki ngā tāngata, ki ngā rawa, ki ngā hapori anō hoki.



# Our strategic framework

We have introduced a refreshed strategic framework for 2024-2025 to align with the NHI Act coming into force and the introduction of our *Statement of Intent 2024-2028*. The new strategic framework is designed to be aspirational but tangible – something our people, and all New Zealanders, can look to for guidance as we collectively navigate the natural hazards risk environment over the coming years.



**Our vision**  
To be a world-class public insurance scheme that reduces the impact of natural hazards on people, property, and the community

**Our priorities**

<p><b>RESILIENCE</b></p> <p>Strengthen <b>RESILIENCE</b> by building knowledge and understanding of natural hazard risks to improve decision-making</p>	<p><b>READINESS</b></p> <p>Continuously enhance our <b>READINESS</b> for natural hazard events</p>	<p><b>RISK FINANCING</b></p> <p>Use our <b>RISK FINANCING</b> expertise to manage the fiscal risks of providing natural hazards insurance cover</p>	<p><b>RECOVERY</b></p> <p>Support homeowner and community <b>RECOVERY</b> by working with our partners to deliver a transparent, timely, high-quality and responsive process for natural hazards insurance claims</p>
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**Our outcomes**

<p>Stronger homes built on better land: decision-makers, homeowners, and communities understand natural hazard risks and take action to reduce risk and build resilience</p>	<p>NHC Toka Tū Ake and its partners are prepared to deliver the best possible claims process when a natural hazard event occurs</p>	<p>Homeowners have an accessible, sustainable way to help manage financial impacts of natural hazard events</p>	<p>Homeowners receive settlements that support effective recovery after natural hazard events</p>
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**Our success is enabled by:**

<p>Effective and responsive <b>communication</b> that ensures we share our expertise, and learn from and work with homeowners, communities, and our partners</p>	<p>Being <b>trusted experts</b> in natural hazards insurance, risk financing, and natural hazards risk and resilience</p>	<p>Delivering impact through collaborative, long-term <b>relationships</b> including the Natural Disaster Response Model</p>	<p>Advice and actions grounded in <b>science and evidence</b> and enabled by data, technology, and insights</p>	<p>Having a <b>growth culture</b> where our people feel safe, connected, empowered, valued and engaged</p>
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# Priorities, outcomes and measures

Flowing from the strategic framework are our strategic priorities, outcomes and measures. The strategic priorities are the basis of our strategic planning. They describe the work we do, what we intend to deliver in the medium-term (the four years covered by our *Statement of Intent 2024-2028*) and how we allocate resources to progress our long-term strategy.

There is one priority for each of our four output classes – resilience, readiness, risk financing, and recovery. If we deliver our strategic priorities in accordance with our roles and responsibilities as set out in our governing legislation, we will achieve our vision of being a world-class public insurance scheme that reduces the impact of natural hazard events on people, property and the community.

Our strategic outcomes describe the difference we want NHC Toka Tū Ake to make for homeowners and New Zealanders more broadly. Achieving these outcomes is what success looks like for NHC Toka Tū Ake.

The *Statement of Intent 2024-2028* includes a refreshed strategic framework, which also shows the organisational enablers required to achieve the desired outcomes.

Our measures then define how we will know whether we are on track to deliver our strategic priorities and outcomes over the next four years.



<b>Where we will focus over the next four years (priorities)</b>	<b>The difference we want to make for New Zealanders (outcomes)</b>	<b>How we will know we are on track (measures)</b>	<b>Output classes in Statement of Performance Expectations</b>
Strengthen resilience by building knowledge and understanding of natural hazard risks to improve decision-making	Stronger homes built on better land: Decision-makers, homeowners and communities understand natural hazard risk and take action to reduce risk and build resilience	<ul style="list-style-type: none"> <li>Measuring our research impact</li> <li>Assessing our loss modelling capability</li> <li>Evaluating our impact on policy, planning and practice</li> <li>Quantifying public understanding of natural hazards and public action on natural hazard risks</li> </ul>	<b>Class one: Resilience</b>
Continuously enhance our readiness for natural hazard events	NHC Toka Tū Ake and its partners are prepared to deliver the best possible claims experience when a natural hazard event occurs	<ul style="list-style-type: none"> <li>Delivering an implementation plan for lessons learned and fostering continuous improvement</li> <li>Conducting assurance and oversight where claims are managed by insurer partners</li> <li>Testing event readiness for a significant event</li> <li>Measuring trust and confidence in the scheme's readiness to respond</li> </ul>	<b>Class two: Readiness</b>
Use our risk financing expertise to manage the fiscal risks of providing natural hazards insurance cover	Homeowners have access to an affordable, sustainable way to help manage financial impacts of natural hazard events	<ul style="list-style-type: none"> <li>Obtaining appropriate reinsurance cover</li> <li>Reviewing our risk financing strategy annually</li> <li>Collecting expected levies</li> <li>Delivery of an investment strategy and framework based on parameters provided in the Crown's Funding and Risk Management Statement (FRMS)</li> </ul>	<b>Class three: Risk financing</b>
Support homeowner and community recovery by working with our partners to deliver a transparent, timely, high-quality and responsive process for natural hazard insurance claims	Homeowners receive settlements that support effective recovery after natural hazard events	<ul style="list-style-type: none"> <li>Assessment of claims processes to ensure they are transparent, timely, high-quality and responsive</li> <li>Assessment of claims outcomes to ensure they are enduring</li> <li>Assessment of our complaints and disputes processes</li> <li>Evaluation of customer claims experience</li> <li>Costs of claims handled by private insurers are monitored</li> </ul>	<b>Class four: Recovery</b>



# Government expectations

## Letter of Expectations 2024-2025

The Government's key priorities for NHC Toka Tū Ake are outlined in an annual Letter of Expectations from the Associate Minister of Finance. Alongside supporting the Government's overarching objectives, the Minister has outlined the following specific expectations of NHC Toka Tū Ake for 2024-2025.





<b>Strategic outlook</b>	The Minister has asked NHC Toka Tū Ake to strengthen its role as a resilience leader. This means playing a leading role in supporting New Zealanders to build resilience against the natural hazards we face, and supporting wider government priorities regarding natural hazard risk management and access to affordable residential home insurance.
<b>Natural Hazards Insurance Act</b>	<p>The Minister has asked NHC Toka Tū Ake to actively implement the NHI Act, including:</p> <ul style="list-style-type: none"> <li>• Working with The Treasury on the Crown's Funding and Risk Management Statement (FRMS) and embedding the statement as soon as practicable after it is gazetted into the funding and financing decisions of NHC Toka Tū Ake.</li> <li>• Monitoring the implementation of the dispute resolution scheme, including considering the impact of the scheme on homeowners' ability to achieve fair and timely outcomes and consulting with insurers and other interested stakeholders on ways in which the dispute resolution process could be improved.</li> </ul>
<b>North Island Weather Events 2023</b>	The Minister expects NHC Toka Tū Ake to manage the Natural Disaster Response Model effectively and to implement operational changes in response to lessons learned from the 2023 North Island Weather Events.
<b>Canterbury earthquake sequence</b>	The Minister expects NHC Toka Tū Ake to make every effort to resolve all reopened Canterbury claims. NHC Toka Tū Ake will keep the Treasury informed of any material change to the estimated liabilities relating to the Canterbury earthquake sequence.
<b>On-sold programme</b>	The Minister expects NHC Toka Tū Ake to effectively manage the remaining claims in line with projections on costs and agreed actions on timeframes. Where possible, NHC Toka Tū Ake will find efficiencies in the programme that deliver equitable resolutions to On-sold homeowners.
<b>Southern Response</b>	The Minister expects NHC Toka Tū Ake to continue working with the Treasury and other relevant stakeholders as future options for Southern Response are assessed. NHC Toka Tū Ake will keep close communications with Southern Response while the current arrangements are in place.



The Letter of Expectations also outlined expectations for strict fiscal management to ensure limited funds are directed towards the highest value investments.

<b>Crown Financial Institutions (CFIs)</b>	<p>The Minister expects all Crown Financial Institutions, including NHC Toka Tū Ake, to:</p> <ul style="list-style-type: none"><li>• Operate in a manner that is fit for purpose, delivering on their legislated purpose, and balancing risk and return to assure investment performance is meeting long-term policy objectives and obligations.</li><li>• Actively consider their role within the Crown, understanding how their operations impact on broader Crown risk.</li><li>• Proactively work with The Treasury and collaborate with other CFIs to build resilience in the New Zealand economy.</li><li>• Apply the responsible investment framework and take a sustainable finance approach to operations.</li></ul>
<b>Undertaking core activities and planning for the future</b>	<p>As NHC Toka Tū Ake undertakes its core activities and plans for the future, NHC Toka Tū Ake is expected to:</p> <ul style="list-style-type: none"><li>• Ensure the nature, scope and pricing of services provided for the Crown recognises the Government’s priorities while being at a level that enables operational sustainability.</li><li>• Ensure the business operates efficiently and effectively and maintains a focus on driving down costs and seeking operational improvements where it can. This includes whether there could be reductions or changes to scope to best achieve sustainable, cost-efficient delivery of services.</li><li>• Adapt and innovate to ensure all the resources NHC Toka Tū Ake utilises remain fit for purpose.</li><li>• Link executive remuneration to outcomes and disclose the chief executive’s remuneration in line with the NZX Corporate Governance Code.</li><li>• Report on performance in a manner that is clear on the extent to which NHC Toka Tū Ake is achieving its objectives and represents value for money.</li></ul>

The Minister also noted the importance of continued improvements in leadership and culture for NHC Toka Tū Ake to excel in its purpose, including strong Board governance in line with The Treasury’s *Owner’s Expectations* document.

## Enduring Letter of Expectations to statutory Crown Entities

The Government’s ongoing expectations of statutory Crown Entities are outlined in an Enduring Letter of Expectations from the Minister of Finance. The following expectations were set out in April 2024. They have been integrated into how NHC Toka Tū Ake conducts its core functions, including how we continue to build our organisational capability to meet our strategic priorities.

<p><b>Drive greater value from public funds and assets</b></p>	<p>NHC Toka Tū Ake is expected to drive greater value from funds we receive and public assets we manage, understanding that reprioritisation should be used as a tool for achieving better results for the people we serve.</p>
<p><b>Have a full understanding of cost drivers and performance against key outcomes</b></p>	<p>The Government expects that NHC Toka Tū Ake will have a full understanding of its cost drivers and performance against key outcomes and be able to clearly account for these in reporting to the Associate Minister of Finance, monitoring department and the public.</p>
<p><b>Incorporate strong evidence and evaluation practices into a continuous improvement approach</b></p>	<p>NHC Toka Tū Ake is expected to take a continuous improvement approach to the activities and programmes it delivers, incorporating strong evidence and evaluation practices and seeking to improve the efficiency and responsiveness of the services it delivers.</p>
<p><b>Accountability and performance</b></p>	<p>The Board of NHC Toka Tū Ake is expected to be accountable for the performance of NHC Toka Tū Ake, including actively assessing the performance of the chief executive.</p> <p>The Government expects the Board Chair to keep Ministers informed of risk and performance, operate on a ‘no surprises’ basis for the Associate Minister of Finance, and ensure any requests for information from them are treated as a priority. The Board Chair is also expected to maintain a constructive and transparent relationship with The Treasury as monitoring department.</p>
<p><b>Maintaining trust and confidence</b></p>	<p>NHC Toka Tū Ake is expected to be aware of its legal obligations and follow relevant guidelines and standards. All Board members are expected to give effect to the Code of Conduct for Crown Entity Board members, including upholding the principle of political neutrality.</p>



# What we will deliver in 2024-2025

The 2024-2025 financial year is the first year in the delivery of our *Statement of Intent 2024-2028*. The following sections outline the activities NHC Toka Tū Ake intends to invest in and deliver over the next financial year, under each of our four output classes (resilience, readiness, risk financing, and recovery).

Many of our measures and targets for the coming year are different from those in the *Statement of Performance Expectations 2023-2024*. The new measures are designed to align with the expectations of NHC Toka Tū Ake set out in the NHI Act and the increasing maturity of the operating model. The measures will provide a better indication of how well we are building critical internal organisational capability at the same time as delivering against our priorities, and the progress we are making towards achieving our outcomes.

Our strategic priorities are focused on what is most important to deliver for each of our output classes. We intend to:

- strengthen resilience by building knowledge and understanding of natural hazard risks to improve decision-making
- continuously enhance our readiness for natural hazard events
- use our risk financing expertise to manage the fiscal risks of providing natural hazards insurance cover

- support homeowner and community recovery by working with homeowners directly and through our partners to deliver a transparent, timely, high-quality and responsive process for natural hazards insurance claims.

For each output class, we set out:

- what the output class is intended to deliver (measures)
- the equivalent performance result (actual) from the 2022-2023 year, where available
- the expected performance result (forecast) for the 2023-2024 financial year, where available
- the performance target (target) for the 2024-2025 financial year and how performance will be assessed
- the proposed expenses for the output class.

## Revenue and expenses

Everyone with private home insurance with fire cover automatically pays the NHC Toka Tū Ake levy and is provided with NHCover (subject to conditions). This revenue covers costs incurred against the four output classes, with the difference between expected revenue and proposed expenses used to pay current and future claims or retained in the Natural Hazard Fund.

Our performance is assessed and reported to our monitoring agency, The Treasury, on a quarterly basis. NHC Toka Tū Ake is also audited annually by the Auditor-General, and this is reported in each annual report. The expected revenue and proposed expenses for each of the output classes for financial year (FY) 2023-2024 and FY 2024-2025 is as follows:

Output class	2024-2025 expected revenue <sup>1</sup>	2024-2025 operating expenses <sup>1</sup>	2023-2024 expected revenue <sup>1</sup>	2023-2024 operating expenses <sup>1</sup>
<b>Resilience</b>	NHC Toka Tū Ake levies: \$904 million	Operating expenses: \$38 million	NHC Toka Tū Ake levies: \$849 million	Operating expenses: \$32 million
<b>Readiness for an event</b>	Other operating revenue: \$17 million	Operating expenses: \$28 million	Other operating revenue: \$20 million	Operating expenses: \$29 million
<b>Risk financing</b>		Operating expenses: \$9 million Reinsurance premiums: \$468 million		Operating expenses: \$9 million Reinsurance premiums: \$414 million
<b>Recovery after an event</b>		Operating expenses: \$22 million Claims costs <sup>2</sup> : \$65 million <sup>3</sup>		Operating expenses: \$23 million Claims costs <sup>2</sup> : \$49 million <sup>3</sup>

Explanations for changes to revenue and expenses for 2024-2025 are:

- Revenue is expected to increase to \$904 million for 2024-2025 because of higher levy receipts reflecting the expectation of growth in housing stock.
- Claims costs for 2024-2025 are budgeted to be \$65 million, noting that there is a high level of uncertainty associated with this estimate. The \$65 million provides an estimate for the claims we regularly receive through the year from small natural hazard events and the cost of claims handling expenses associated with settling them. The

estimate assumes no ‘significant’ events occurring. The North Island Weather Events in 2023 would therefore be considered as having a ‘significant’ impact on claims expenses.

- Reinsurance premium payments for 2024-2025 are expected to increase to up to \$468 million, which includes brokerage cost and catastrophe bond costs.
- Operating expenses across the output classes are expected to increase by \$5 million in 2024-2025 driven by a potential increase in resilience spend with some significant funding commitments still to be finalised.

1 Revenue and expenses in this table are different from the prospective statement of comprehensive revenue and expense as they exclude revenue and expenses that cannot be assigned by output class, such as services provided in administering the On-sold programme and Southern Response claims, as well as the expenses in the footnotes below.

2 Claims costs comprise amounts paid (or estimates of amount payable in the financial year) for natural disaster damage sustained during the current financial year. This number does not include changes in estimated costs for damage that occurred in prior financial years that are included in the financial statements. Variances in this number can be significant, based on the events that occur during the year.

3 This cost excludes the amortisation of risk margin and discount included in the gross claims discounted costs in note 2 of the prospective financial statements.



# Output one: resilience

The NHI Act increases NHC Toka Tū Ake's focus on resilience. Our strategic priority for resilience is to strengthen resilience by building knowledge and understanding of natural hazard risks to improve decision-making.

Our resilience objective is to equip decision-makers, homeowners and communities with better understanding of natural hazard risks so they can take action to reduce risk and strengthen resilience.

Over the coming year, we will pursue our resilience goal by:

- Continuing to invest in science and research that plays a critical role in helping New Zealanders understand natural hazard risks, and in shaping risk reduction and resilience policies and practice. We provide research grants and sponsorships, support the capability, capacity, and coordination of the science and research community, and invest in data and models that advance our understanding of natural hazard risk and loss.
- Further developing our loss modelling capability to develop scenarios for event readiness, enable better event response and claims management strategies, and demonstrate the case for investment in risk reduction. Our loss modelling is supported by our significant investment in science, including geophysical and geotechnical data collection, and the research application of related knowledge, as well as our own claims data.
- Supporting and advocating for resilience-informed policy, planning and practice through the provision of high-quality data, information and knowledge, particularly focused on where and how we build various types of residential property. We will work with sector professionals and stakeholders to implement our two action plans: *Smarter Land Use* and *Resilient Homes and Buildings*. These plans aim to improve New Zealand's resilience through smarter, risk-informed land use planning and stronger building regulation and governance. We will also participate in cross-government priorities and decision-making to improve the management of natural hazard risk, and inform, support and influence local government planning. This will be done by providing formal submissions on statutory plans and through one-off grants for improved natural hazard risk information and mapping.
- Supporting public awareness and preparedness for natural hazard events through a public education function and tools like our Natural Hazards Portal. Our public education programme provides educational advertising campaigns on preparedness measures



and facilitates education by working closely with national and local providers, including museums (Te Papa, Auckland Museum, Canterbury Museum), AF8 (with a focus on the Alpine Fault hazard), and East Coast LAB (focused on the Hikurangi Subduction Zone). Our Natural Hazards Portal helps people make more informed decisions about living with natural hazard risks by increasing their awareness of natural hazards that may have previously damaged the homes they and their whānau live in, or could live in.

## How NHC Toka Tū Ake measures performance

To understand if we are making a difference, we will measure our progress in four key areas:

1. Evaluating our impact on policy, planning, and practice by:

1.1. Tracking the number of users of the Natural Hazard Portal and the information they download. The first year of the Natural Hazard Portal saw high levels of activity immediately after the launch. We expect usage to drop during 2024-2025 as we build awareness and sustained use of the tool.

1.2. Tracking the uptake of our published guidance, methodologies or other information products and resources.

1.3. Evaluating our contribution to, or influence on, policy and decision-making, and tracking the effectiveness of our formal submissions. In 2022-2023

we completed 15 submissions.

This was an unusually active year for submissions as all 'Tier 1' councils were required to implement a District Plan Change under the National Policy Statement for Urban Development and the Medium Density Residential Standards. We made a high number of submissions on these plan changes due to their potential impact on natural hazards resilience. The number of opportunities for NHC Toka Tū Ake to make formal submissions is much lower in an average year, which is why the forecast and target for this measure (1.3) is significantly lower than the actual achieved in 2022-2023.

2. Quantifying public understanding of natural hazards and public action on natural hazard risks through quarterly public surveys measuring awareness and preparedness for natural hazards.
3. Assessing our progress on delivering an investment roadmap that underpins our strategic ambition of building world-class loss modelling capability for New Zealand. Loss modelling can be used to better predict the potential impact of the different types of natural hazard events covered by the NHI Act.
4. Measuring our research impact by finalising and implementing a research benefits management framework. This will enable us to track the short, medium and long-term impacts and benefits of the research we fund and support.



## 2024-2025 proposed expenses

Proposed expenses for the resilience output class are \$38.4 million. This includes the costs of:

- Investment in research, including to support GeoNet, New Zealand’s national geohazards monitoring system. In the 2024-2025 financial year, it also includes the cost of developing a National Liquefaction Model, which will provide a sophisticated understanding of liquefaction risk for local authorities and insurers.
- Investment in loss modelling capability and capacity, including to progress the scope of hazards we can currently model, and by improving our exposure and vulnerability data and models.
- Investment in programmes that support the science-to-policy or science-to-practice pipeline – guidance on key natural hazards risk management topics, capability development for key professions (on natural hazards awareness and natural hazards resilience solutions), and facilitating the uptake of data, information, and best practice.
- Provision of public education campaigns and programmes, including public advertising, museum sponsorships, and schools programmes.

## Resilience output class

### 1. A resilience programme that informs, enables and influences for improved analysis and public understanding of natural hazards risk

Performance measures		2024-2025 target	2023-2024 forecast (as at April 2024)	2022-2023 actual
1.1	Number of Natural Hazards Portal users, and percentage of those seeking further information (via the PDF download function or Natural Hazard Portal-driven OIA requests)	>40,000 >15%	47,000 19.6%	N/A
1.2	Number of downloads of our publicly available research and resilience documents	>1200	1700	N/A
1.3	Number of formal submissions made on central and local government policy and plans, and percentage of recommendations that are partially or fully accepted or acted on	>5 >20%	5 N/A	15 N/A
1.4	Percentage of homeowners surveyed who say they have acted on any of the six key preparedness actions promoted by NHC Toka Tū Ake	>57%	64%	58%
1.5	Progress on delivering our loss modelling strategy via agreed roadmap milestones	Achieved	N/A	N/A
1.6	A research Benefits Management Framework is finalised and implemented, enabling the ability to track the short, medium, and long-term impacts and benefits of research	Achieved	N/A	N/A

# Output two: readiness

The strategic priority for readiness is to continuously enhance our readiness for natural hazard events.

Our readiness objective is to prepare NHC Toka Tū Ake and its partners to deliver the best possible claims management process for homeowners when a natural hazard event strikes. This means supporting homeowner and community recovery, by working with our insurer partners to deliver a transparent, timely, high-quality and responsive process for natural hazards insurance claims.

We know that vulnerable homeowners often experience more impacts from natural hazards. Part of our readiness planning therefore includes ensuring systems are in place to identify and prioritise the needs of vulnerable homeowners. For example, we have developed an extra care claims policy that will apply to all NHCover claims handled by NHC Toka Tū Ake and its agents. The policy sets out our approach to identifying and responding to claims where the homeowner's circumstances require extra care.

Under our operating model, insurers manage over 95% of new claims on our behalf. Over the coming year, we will continue to mature and enhance the operating model by:

- Developing a plan to implement findings from the review into the operating model's response to the 2023 North Island Weather Events. The operating model was tested by the severe weather events of early 2023. In 2023-2024, we obtained an independent review from MartinJenkins into the operating model's response to those events. Our implementation plan will identify activities we will undertake to help NHC Toka Tū Ake and insurers better prepare for similar future events.
- Reintroducing natural hazards scenario exercises with our insurer partners. We will conduct natural hazards exercises with our insurer partners and other key recovery agencies to test our readiness. These were paused in 2023 due to the impact of the North Island Weather Events.
- Work with insurers to prepare for the specific challenges natural hazard events present for vulnerable homeowners, including with continuous improvement of our implementation of the extra care claims policy.



- Improving our data use and digital capabilities. We will continue to develop our people and technology to obtain high-quality insights that support recoveries and related decision-making. We will also explore the use of digital platforms to enable faster assessment of land damage.
- Training geotechnical companies. Supporting our insurer partners by training new geotechnical companies to identify information required to progress claims.
- Developing a shared process for land claims with insurers where damage spans multiple properties, including information-sharing protocols and the efficient identification of a lead insurer to coordinate land assessment.
- Pursuing innovations for assessments, (for example, requiring less intensive assessment of land claims with lower risk profiles).
- Improving our communication resources, with a focus on how we explain land cover to homeowners.

## How NHC Toka Tū Ake measures performance

We will measure:

- our delivery of scenario testing exercises with insurers and our participation in national natural hazards exercises delivered by the National Emergency Management Agency (NEMA)
- public trust and confidence in NHC Toka Tū Ake

- our development of an implementation plan to address lessons from previous events, including the 2023 North Island Weather Events.

## 2024-2025 proposed expenses

Proposed expenses for the readiness output class are \$28.1 million. This includes the costs of supporting the ongoing maturity and oversight of the operating model and ongoing event readiness.

## Readiness output class

### 2. Ensuring capacity and readiness for an event

Output 2 is focused on ensuring our capacity and readiness for an event, including prioritising the needs of vulnerable homeowners. In 2023-2024, we included a measure on documenting lessons learnt from the 2023 North Island Weather Events. That focus on learning has now been incorporated back into a broader continuous improvement measure for the 2024-2025 financial year, reflecting the return to a business-as-usual state.

We have retained the requirement for insurers to attest they have effective surge plans in place to support the operating model to respond to a natural hazard event resulting in up to 100,000 homeowner claims under the natural hazards scheme.

Compared with the 2023-2024 year, we have taken a different approach with the remaining measures in this output class. In 2024-2025, we are measuring our participation in natural hazards exercises to test the natural hazard scheme’s preparedness. This replaces the 2023-2024 measure of NHC Toka Tū Ake and insurers further developing the operating model's efficiency and effectiveness. We have replaced this measure as it is more meaningful to measure this development in a detailed way as part of our operational business plan.

We will use the results of the exercises to identify and prioritise issues in our preparedness.

This may include new initiatives and/or improving current practices, for example improving our procedures, insurer guidance or public and stakeholder communications.

The target for Measure 2.4 (public trust and confidence in NHC Toka Tū Ake) has also changed. This is because the provider of the Public Sector Reputation Index has changed how it measures the reputation score, to show changes more easily over time and to incorporate Australia and Singapore into the Index. Our target for 2024-2025 reflects this new methodology. Historical data is not included as the metrics for the new and old methodologies are not comparable.

Performance measures		2024-2025 target	2023-2024 forecast (as at April 2024)	2022-2023 actual
2.1	Document and present to the Board an implementation plan based on the lessons learned from previous events (including the 2023 North Island Weather Events) and scenario response strategies, to enable improved efficiency and effectiveness	Achieved	N/A	N/A
2.2	NHC Toka Tū Ake is satisfied NDRM insurers have effective surge plans to support the NDRM to respond to a natural hazard event resulting in up to 100,000 homeowner claims under the natural hazards scheme	100%	100%	N/A
2.3	NHC Toka Tū Ake participates in up to two natural hazards exercises with stakeholders and insurer partners to test the natural hazards scheme's preparedness for a significant natural hazard event	2	N/A	N/A
2.4	New Zealanders have increasing trust and confidence in NHC Toka Tū Ake	Our Public Sector Reputation Index score is 59 points or over	N/A	N/A



# Output three: risk financing

The strategic priority for risk financing is to use our expertise to manage the fiscal risks of providing natural hazards insurance cover.

Our risk financing objective is for homeowners to have an accessible, sustainable way to help manage financial impacts of natural hazard events.

The risk financing out class supports our core legislative functions to contribute to the management of the financial risk to the Crown of providing natural hazards cover by:

- managing the Natural Hazard Fund
- collecting levies payable for insurance under the NHI Act
- obtaining reinsurance and other risk transfer products.

Our risk financing output activities are guided by the Crown's risk appetite, set out in the FRMS. Under this output, our objective is to enable homeowners to have an accessible, sustainable way to help manage financial impacts of natural hazard events.

The FRMS is a five-yearly statement that sets out the Crown's risk appetite.

This allows the Board of Commissioners to make effective decisions on how much natural hazard financial risk to transfer to offshore capital providers via reinsurance and the funding retained to build the Natural Hazard Fund.

Although reinsurance markets have hardened over the past two years due to global losses from natural hazard events, reinsurers remain positive about our programme, investment in research and loss modelling and resilience work.

Growing the reserves of the Natural Hazard Fund and maintaining a cost-effective risk transfer programme lessens the need for recourse to the Crown guarantee in the event of a significant natural hazard event. However, the Crown's statutory guarantee provides assurance to all insured homeowners that their claims for natural hazard event damage will be paid.

Over the next year, we will:

- update our robust risk financing framework in line with the Crown's FRMS
- ensure that levies are collected
- maintain an affordable risk transfer programme with an appropriate level of cover
- manage the Natural Hazard Fund.



## How NHC Toka Tū Ake measures performance

We measure the effectiveness of levy collection through the percentage collected versus budget. We will work closely with The Treasury in determining the objectives for reinsurance purchase, with reference to the cost and cover involved. We will manage the Natural Hazard Fund in line with the FRMS.

## 2024-2025 proposed expenses

The budgeted expenses for the risk financing output class are \$477.1 million. These are largely related to the purchase of reinsurance and establishing alternative risk transfer mechanisms to protect against the financial consequence of future natural hazard events.

## Additional performance measure for 2024-2025

We have introduced the following additional measure for the coming year, to recognise the introduction of the FRMS.

- Develop an investment strategy and framework based on the parameters provided in the Crown's Funding and Risk Management Statement (FRMS) by 30 June 2025.

## Risk financing output classes

### 3.1 Maintain a reinsurance programme that supports the delivery of accessible residential natural hazards insurance protection

Performance measures		2024-2025 target	2023-2024 forecast (as at April 2024)	2022-2023 actual
3.1.1	Reinsurance protection for 2025-2026 is obtained on terms that assure continuity of coverage for all hazards under the NHI Act, at rates that are lower than the Crown's ceded cost of capital	By 1 June 2025	Achieved	Achieved
3.1.2	An annual review of the risk financing strategy is completed	Achieved	Achieved	Achieved



### 3.2 Managing the Natural Hazard Fund

Performance measures		2024-2025 target	2023-2024 forecast (as at April 2024)	2022-2023 actual
3.2.1	The percentage of levies collected compared to the annual budget	100%	100%	100%
3.2.2	The Natural Hazard Fund is managed in accordance with parameters outlined in the FRMS	100%	100%	100%

### 3.3 Funding and Risk Management Statement

Performance measures		2024-2025 target	2023-2024 forecast (as at April 2024)	2022-2023 actual
3.3.1	Develop an investment strategy and framework based on the parameters provided in the Crown's Funding and Risk Management Statement (FRMS) by 30 June 2025	Achieved	N/A	N/A



# Output four: recovery

The strategic priority for recovery is to support homeowner and community recovery by working with our partners to deliver a transparent, timely, high-quality and responsive process for natural hazards insurance claims.

Our recovery objectives are for homeowners to have an accessible, sustainable way to help manage financial impacts of natural hazard events by receiving settlements that support effective recovery from these events.

Our recovery output class focuses on the way claims are managed after an event. From 1 July 2024 we are managing two insurance schemes:

- for events that occurred on or prior to 30 June 2024, EQCover applies.
- for events occurring on or after 1 July 2024, NHCover applies.

Since 30 June 2021, NHC Toka Tū Ake has supported our insurer partners to manage new claims under our operating model. NHC Toka Tū Ake continues to manage claims from events prior to 30 June 2021, including claims from the Canterbury earthquake sequence. Since 2019, our Canterbury claims programme has received a declining number of inquiries from homeowners seeking to reopen a claim.

Progress is measured for:

- Canterbury claims under output class 4.1
- claims from all other events (excluding the 2023 North Island Weather Events) under output class 4.2
- claims relating to the 2023 North Island Weather Events under output class 4.3.

Over the coming year, we will continue to:

- enable our insurer partners to deliver a transparent, timely, high-quality and responsive process for homeowners
- resolve remaining EQCover claims from the 2023 North Island Weather Events
- work with our insurer partners to implement and embed operational changes resulting from the commencement of the NHI Act on 1 July 2024.

## How NHC Toka Tū Ake measures performance

We have set time-bound, quality or quantity criteria for each activity that are designed to ensure homeowners are treated in a transparent, timely, high-quality and responsive manner and have their concerns heard.



We measure overall homeowner satisfaction with the claims process, as well as the ability to settle claims within the Board-approved budget.

We track results through data held by NHC Toka Tū Ake and our insurer partners, including the time taken to settle claims and independent customer satisfaction surveys.

We also seek input from homeowners through other feedback mechanisms to ensure good customer service delivery, including through the National Reference Group, a community network that represents a range of customer groups.

## 2024-2025 proposed expenses

The proposed operating expenses for the recovery output class are \$22.3 million (excluding claims settlement and specific claims handling expenses). There is also an additional \$65 million relating to an estimate for the claims for natural hazards event damage that we regularly receive through the year from small events and the cost of the claims handling expenses associated with settling them. The estimate assumes no significant events occurring, such as the 2023 North Island Weather Events. This cost excludes the amortisation of risk margin and discount included in the gross claims discounted costs in note 2 of the prospective financial statements.

## Recovery output classes

### 4.1: Settlement of the 2010-2011 Canterbury earthquake sequence claims

Output 4.1 is specifically focused on serving homeowners with claims from the 2010-2011 Canterbury earthquake sequence, including claims NHC Toka Tū Ake manages on behalf of Southern Response. The measures address both the timeliness and homeowner focus of the claims management services.

The recovery measures for Canterbury claims have been updated, to put a greater onus on enduring settlements, and to ensure that all claims on hand at the start of the financial year are being captured and measured.

We have changed the timeliness measure under this output class. The new measure applies regardless of the date of claim lodgement and requires an escalating percentage of claims to be resolved over time. For example, the measure requires 85% of reopened claims to be resolved within six months of lodgement and 99% of claims within 24 months.

New measures have been added to report on the pre-settlement and post-settlement status of Canterbury On-sold claims (4.1.4 and 4.1.5). We have removed the measure used in previous years that Southern Response claims are managed in accordance with our agreement with Southern Response.

Measures 4.1.6 and 4.1.7 measure timeliness and customer satisfaction for Canterbury claims. We have reduced the number of homeowner satisfaction measures to a single measure of satisfaction of the overall claims experience (4.1.6). In previous years we had further, more specific satisfaction measures. Reducing the measures to one simplifies reporting for the SoPE. We will continue to ask homeowners more specific questions to inform the overall satisfaction results.

Performance measures		2024-2025 target	2023-2024 forecast (as at April 2024)	2022-2023 actual
<b>Timeliness</b>				
4.1.1	Percentage of reopened claims settled from the date that they were reopened	85% within six months 90% within 12 months 95% within 18 months 99% within 24 months	N/A	N/A
4.1.2	The On-sold ex gratia package is administered in accordance with the On-sold Canterbury Properties Services Agreement	100%	100%	100%
4.1.3	Pre-settlement: the percentage decrease in the number of On-sold applications in the pre-settlement phase	30%	N/A	N/A
4.1.4	Post-settlement: the percentage increase in number of On-sold applications closed/completed in the financial year	25%	N/A	N/A
4.1.5	Reopened Southern Response claims that are resolved within 12 months of the reopened date	80%	N/A	N/A
<b>Homeowner focus</b>				
4.1.6	Surveyed homeowners are satisfied with their overall claims experience	≥60%	71%	78%
4.1.7	Timeliness of complaints resolution: complaints are resolved within two months, unless an alternative timeframe is agreed with the homeowner	95%	100%	91%
4.1.8	NHC Toka Tū Ake settlements should be enduring: percentage of settled claims reopened within six months	≤5%	6%	1%



## 4.2 Claims relating to natural hazard events (excluding Canterbury)

Output 4.2 is focused on claims to the scheme that occurred after the 2010-2011 Canterbury earthquake sequence. These measures address the timeliness, quality and cost of claims resolution for all other events, including claims management services provided by our insurer partners under the operating model from 30 June 2021 onwards. Measures addressing quality, customer experience, and cost of claim resolution related to claims generated for the 2023 North Island Weather Events are included in output 4.3.

We have changed the timeliness measure under this output class. The new measure applies regardless of the date of claim lodgement and requires an escalating percentage of claims to be settled over time. For example, the measure requires 80% of claims to be settled within 12 months of lodgement and 90% of claims within 24 months.

As with output class 4.1, we have reduced the number of homeowner satisfaction measures to one (4.2.2) on overall satisfaction.

Performance measures		2024-2025 target	2023-2024 forecast (as at April 2024)	2022-2023 actual
<b>Timeliness</b>				
4.2.1	Percentage of claims settled from the date of claims lodgement	80% within 12 months 90% within 24 months 95% within 36 months 98% within 48 months	N/A	N/A
<b>Homeowner focus</b>				
4.2.2	Surveyed homeowners are satisfied with their overall claims experience	≥60%	52%	64%
4.2.3	Complaints are resolved within two months or within such longer period as the complainant and private insurer agree	90%	92%	92%
4.2.4	NHC Toka Tū Ake settlements should be enduring: percentage of settled claims reopened within six months	≤3%	1%	1%
<b>Quantity</b>				
4.2.5	The ratio of claims handling expense to settlement cost for the period is less than the ratio set by the Board	Achieved	Achieved	Achieved

### 4.3 Claims relating to North Island Weather Events: January - February 2023

In 2023-2024, we introduced independent performance measures for the response to the impacts of severe weather events in the North Island (including the Auckland Anniversary Weekend floods in January 2023 and Cyclone Gabrielle in February 2023).

Several of these measures have been retained for 2024-2025 to reflect that claims for this event continue to be lodged and there is ongoing complexity in resolving claims involving significant land damage. Settlement timeliness of claims generated for the North Island Weather Events is captured in the 'Timeliness' measure 4.2.1.

Performance measures		2024-2025 target	2023-2024 forecast (as at April 2024)	2022-2023 actual
4.3.1	Surveyed homeowners are satisfied with their overall claims experience	≥60%	49%	N/A
4.3.2	Complaints are resolved within two months or within such longer period as the complainant and private insurer agree	90%	90%	N/A
4.3.3	NHC Toka Tū Ake settlements should be enduring: percentage of settled claims reopened within six months	≤5%	0.5%	N/A





# Prospective financial statements



## Prospective statement of comprehensive revenue and expense

For the years ending 30 June 2024 and 30 June 2025	NOTE	Forecast 2024 \$(000)	Budget 2025 \$(000)
<b>LEVY REVENUE</b>			
Levy revenue		848,862	903,886
Outward reinsurance expense		(414,296)	(467,890)
<b>Net levy revenue</b>		<b>434,567</b>	<b>435,997</b>
<b>UNDERWRITING MOVEMENTS</b>			
Reinsurance and other recoveries		9,147	4,056
Claims (expense)/reduction <sup>4</sup>	2	(100,941)	13,400
Movement in unexpired risk liability		12,764	-
<b>Total underwriting movements</b>		<b>(79,030)</b>	<b>17,456</b>
<b>SURPLUS FROM INSURANCE ACTIVITIES</b>		<b>355,537</b>	<b>453,452</b>
<b>OTHER OPERATING REVENUE</b>			
Interest revenue		19,908	16,967
Other revenue <sup>5</sup>		8,902	8,104
<b>Total operating revenue</b>		<b>28,809</b>	<b>25,070</b>
<b>OTHER OPERATING EXPENSE</b>			
Resilience		(31,535)	(38,416)
Readiness		(29,393)	(28,113)
Risk financing		(8,751)	(9,263)
Recovery		(22,520)	(22,302)
Other expenses <sup>5</sup>		(8,424)	(7,704)
<b>Total operating expense</b>	<b>1</b>	<b>(100,623)</b>	<b>(105,798)</b>
Crown underwriting fee		(10,000)	-
<b>TOTAL COMPREHENSIVE REVENUE FOR THE PERIOD</b>		<b>273,723</b>	<b>372,724</b>

4 The 2025 forecast claims (expense)/reduction represents the cost of a year in which there are no major events and actual experience may differ significantly from this. See note 2 for a sensitivity analysis on claims expense and how that would impact the Total Comprehensive Revenue for the Period.

5 Costs incurred managing the On-sold over-cap programme on behalf of the Crown and managing Southern Response's remaining claims are reimbursed to NHC Toka Tū Ake, plus a margin from the Southern Response agreement.



## Prospective statement of changes in equity

For the years ending 30 June 2024 and 30 June 2025	2024 \$(000)	2025 \$(000)
<b>EQUITY</b>		
Capitalised reserves	1,500,000	1,500,000
<b>RETAINED EARNINGS</b>		
Opening balance at 1 July (deficit)	(2,352,830)	(2,079,107)
Total comprehensive revenue for the period	273,723	372,724
<b>Closing balance at 30 June (deficit)</b>	<b>(2,079,107)</b>	<b>(1,705,383)</b>
<b>Closing balance at 30 June (deficit)</b>	<b>(579,107)</b>	<b>(206,383)</b>



## Prospective statement of financial position

As at 30 June 2024 and 30 June 2025	Forecast 2024 \$(000)	Budget 2025 \$(000)
<b>EQUITY</b>		
Capitalised reserves	1,500,000	1,500,000
Retained earnings	(2,079,107)	(1,706,383)
<b>Total Equity</b>	<b>(579,107)</b>	<b>(206,383)</b>
<b>ASSETS</b>		
Bank	121,574	125,423
Levy receivable	166,119	170,288
Outstanding reinsurance and other recoveries	118,470	88,178
Other receivables	29,960	29,665
Prepayments	1,514	1,514
Outward reinsurance expense asset	75,307	89,417
Investments	170,000	170,000
Property, plant and equipment	4,442	4,526
Intangible assets	6,301	2,896
<b>Total Assets</b>	<b>693,686</b>	<b>681,907</b>
<b>LIABILITIES</b>		
Trade and other payables	(24,745)	(24,857)
Provisions	(3,396)	(3,776)
Outstanding claims liability	(794,847)	(398,607)
Unearned levy liability	(449,804)	(461,050)
<b>Total Liabilities</b>	<b>(1,272,792)</b>	<b>(888,290)</b>
<b>Net Assets/(Liabilities)<sup>6</sup></b>	<b>(579,107)</b>	<b>(206,383)</b>

6 Section 112 of the NHI Act states the Crown must make payments into the Fund to ensure it can meet all its liabilities as they fall due.



## Prospective statement of cash flows

	Forecast 2024 \$(000)	Budget 2025 \$(000)
<b>For the years ending 30 June 2024 and 30 June 2025</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Levies	874,049	910,962
Reinsurance and other recoveries	54,554	34,347
Interest received	21,183	16,967
On-sold agreement receipts	115,003	114,474
Southern Response agreement receipts	1,754	1,741
Net GST	1,525	(4,107)
<i>Cash was applied to:</i>		
Outward reinsurance	(417,484)	(479,737)
Crown underwriting fee	(10,000)	-
Claims settlements and handling costs	(496,186)	(381,381)
Employees and other operating expenses	(82,465)	(89,498)
GeoNet operating expense	(4,000)	(4,000)
On-sold agreement settlement and handling costs	(107,312)	(107,817)
Research grants	(6,879)	(7,040)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(56,257)</b>	<b>4,911</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Sale of investments	-	-
<i>Cash was applied to:</i>		
Purchase of investments	(10,500)	-
Purchase of property, plant and equipment	(3,827)	(1,050)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(14,327)</b>	<b>(1,050)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<i>Cash was applied to:</i>		
Lease payment	(31)	(12)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(31)</b>	<b>(12)</b>
<b>Net increase/(decrease) in cash</b>	<b>(70,617)</b>	<b>3,851</b>
Add opening cash brought forward	192,189	121,572
<b>Ending cash carried forward</b>	<b>121,572</b>	<b>125,423</b>

## Notes to the prospective financial statements

### Note 1. Prospective operating expenditure excluding claims costs

For the years ending 30 June 2024 and 30 June 2025	Forecast 2024 \$(000)	Budget 2025 \$(000)
Employee remuneration and benefits	27,750	31,792
Research grants and resilience initiatives	5,332	14,015
Technology costs	9,810	10,932
Outsource service provider costs	11,781	10,695
Projects	15,000	10,250
On-sold agreement claim handling expenses	7,061	6,363
GeoNet operating costs	4,000	4,000
Amortisation of intangibles	3,416	3,405
Consultants and contractors	6,506	3,054
Other administration costs	2,329	2,860
Sponsorship	1,035	1,425
SRES agreement claim handling expenses	1,363	1,341
Loss modelling	1,150	1,100
Advertising and publicity	984	1,051
Superannuation contribution costs	807	979
Depreciation	784	966
Office rental	723	655
Commissioners' fees	408	420
Fees paid to the auditor		
- Audit of the financial statements <sup>7</sup>	226	296
Restructuring costs	100	200
Bad debts	56	-
Gain/loss on disposals	3	-
<b>Total operating costs (excluding claims expense and claims handling expense)</b>	<b>100,623</b>	<b>105,798</b>

<sup>7</sup> Relates to the business-as-usual portion of the audit fee. The forecast full audit fee for the year ended 30 June 2024 is \$0.4 million and for 2025 \$0.4 million.



## Note 2. Claims expense

	2024 Current Year \$(000)	2024 Prior Years \$(000)	2024 Total Year \$(000)	2025 Current Year \$(000)	2025 Prior Years \$(000)	2025 Total Year \$(000)
Gross claims - undiscounted	(49,257)	(131,937)	(181,194)	(65,100)		(65,100)
Movement in discount		(32,578)	(32,578)		(20,349)	(20,349)
Amortisation of risk margin		112,831	112,831		98,849	98,849
<b>Gross claims discounted</b>	<b>(49,257)</b>	<b>(51,684)</b>	<b>(100,941)</b>	<b>(65,100)</b>	<b>78,500</b>	<b>13,400</b>

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

### Sensitivity analysis

NHC Toka Tū Ake is a catastrophe insurer and as such there is significant volatility possible in the level of claims that occur each year. The current year claims costs included in the budget for the 2025 financial year is \$65.1 million. This represents the cost of a year in which there are no major events, as is most common and appropriate for budget purposes.

The following table shows a range of alternative scenarios, reflecting scenarios where one or more major events were to occur in the year, showing the claims costs (including CHE), reinsurance recoveries (where available) and the resultant net surplus/(deficit) for NHC Toka Tū Ake.



Scenario	How determined	Impact on 2025 net claims cost	Impact on 2025 reinsurance recoveries \$(000)	2025 Net surplus/ (deficit) \$(000)
<b>2025 budget</b>		<b>(65,100)</b>		<b>372,724</b>
A further weather event like Cyclone Gabrielle	ILVR	(225,000)		147,724
Repeat of Kaikōura earthquake	Internal loss modelling	(708,000)		(335,276)
Repeat of 1942 Wairarapa earthquake	Internal loss modelling	(3,600,180)	1,513,664	(1,713,792)
Repeat of 1931 Napier earthquake	Internal loss modelling	(8,125,480)	5,508,791	(2,243,965)

### Note 3. Contingent liabilities

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

NHC Toka Tū Ake received approximately 469,000 claims from the 2010-2011 Canterbury earthquake sequence, of which some disputes and the possibility of litigation is inevitable. As at 31 December 2023, 24 open litigation cases were in the dispute resolution process, of which 19 relate to Canterbury litigation cases. The expectation of costs from disputes and litigation under the EQC Act has been considered by the actuaries in deriving the outstanding claims liability as at 31 December 2023.

### Significant Accounting Policies

#### Reporting Entity

NHC Toka Tū Ake is a Crown Entity as defined by the Crown Entities Act 2004 and is domiciled in and operates in New Zealand. The relevant legislation governing its operations includes the Crown Entities Act 2004 and the NHI Act. The ultimate parent of NHC Toka Tū Ake is the New Zealand Government.

The NHI Act came into effect on 1 July 2024, replacing the EQC Act. There have been some changes made to the prospective financial statements as a result of the Act change. These include:

- replacing premium income with levy revenue
- removing the premium discount in the 2025 financial year
- removing the Crown underwriting fee in 2025 financial year.



The primary objectives of NHC Toka Tū Ake are to administer the insurance against natural hazard events damage as provided for under the NHI Act, facilitate research and education about matters relevant to natural hazard events damage, and manage the Natural Hazard Fund including the arrangement of reinsurance.

NHC Toka Tū Ake has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The reporting period covered by these prospective financial statements is for the years ending 30 June 2024 and 30 June 2025.

### **Basis of preparation**

#### **Statement of compliance**

These prospective financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The prospective financial statements comply with Public Benefit Entity Standards (PBE Standards) as appropriate for Tier 1 public benefit entities. They comply with PBE FRS 42 and other PBE Standards, as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these prospective financial statements.

### **Going concern**

Actuarial estimates of the claims liabilities for NHC Toka Tū Ake indicate that total liabilities exceed its assets after accounting for reinsurance.

Section 112 of the NHI Act states if the assets of the Natural Hazard Fund are not sufficient to pay amounts forecast to be due and payable, the Crown must make payments into the Natural Hazard Fund to ensure that the Natural Hazard Fund can meet all its liabilities as they fall due.

The Board has, therefore, adopted the going concern assumption in preparing these prospective financial statements.

### **Measurement base**

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

### **Functional and presentational currency**

These prospective financial statements are presented in New Zealand dollars, which is the functional currency of NHC Toka Tū Ake, and are rounded to the nearest thousand dollars.

### **Accounting judgements and major sources of estimation**

The preparation of prospective financial statements in conformity with PBE Standards requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses.

The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised (if the revision affects only that period) or in the period of the revision and future periods (if the revision affects both current and future periods).

The actuarial judgements and estimations involved in measuring insurance liabilities and reinsurance recoveries are key areas of estimation where the assumptions made may have a significant effect on the prospective financial statements, with a significant risk of material adjustment in future periods.

**Major assumptions underlying the prospective financial statements**

These prospective financial statements provide information on the future financial performance, position and cash flows of NHC Toka Tū Ake. They are based on assumptions about future events that NHC Toka Tū Ake reasonably expects to occur. Actual results for the forecast periods are likely to vary from the information presented, and variations may be material.

While the current forecasts project NHC Toka Tū Ake will be able to meet claims payments in the immediate future, it is possible that Section 112 of the NHI Act

(or alternative agreed mechanism) will need to be activated for the Crown to provide guaranteed funding for cash flow requirements to allow the Natural Hazard Fund to continue as a going concern during the 2024-2025 financial year. Claims costs directly related to the occurrence of new major events, and the claims they produce, have not been forecast; \$65 million per annum has been provided for other claims settlements and fees.

Reinsurance costs are based on management estimates prior to the 2024-2025 round of negotiations. Estimates for events claim expenses, liabilities and cash flows are based on the December 2023 actuarial update prepared by Melville Jessup Weaver.

The following actuarial assumptions were used in determining the claims liability at that date:

Claims inflation rate per annum	
Base inflation	2.5%
Elevated rate applied to building reopen costs for next two years	3.3%-9.8%
Discount rate per annum	4.19%-5.51%

**Significant accounting policies**

The following is a summary of the significant accounting policies that affect the prospective financial statements. A comprehensive list of policies is in the EQC 2022-2023 annual report and will be included in the 2023-2024 annual report.



## **Insurance**

### **Levy and unearned levy liability**

Levy revenue represents levies collected and paid or payable to NHC Toka Tū Ake by insurance companies, brokers, and individuals with EQCover or NHCover. Prior to 1 July 2024 a 2.5% levy discount was applied to the majority of policies. Policies beginning after 1 July 2024 are not entitled to a levy discount. This discount was removed in accordance with the NHI Act. Levy revenue is classified as an exchange transaction.

In accordance with Section 117(2) of the NHI Act, NHC Toka Tū Ake receives declarations provided by insurance companies and brokers that all levies collected have been distributed to NHC Toka Tū Ake.

Levy revenue is recognised using the 24ths method to approximate the contract period over which the levies are earned. The underlying assumption of the 24ths method is that all levies booked during a particular month can be approximated by an annual policy that incepts during the middle of the month. Levies not earned at balance date are recorded in the Prospective Statement of Financial Position as an unearned levy liability. Levy receivable is reported in the Prospective Statement of Financial Position and is expected to be receipted within 12 months.

### **Reinsurance and other recoveries**

Reinsurance recoveries are the expected reimbursement of claims settlements and claims handling costs that NHC Toka

Tū Ake can recover under its reinsurance contracts. Reinsurance and other recoveries received or receivable on paid claims, reported claims not yet paid, claims incurred but not reported (IBNR), and claims incurred but not enough reported (IBNER) are recognised as revenue in the Prospective Statement of Comprehensive Revenue and Expense. They are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

### **Other revenue**

Other revenue represents reimbursements received from the Crown and Southern Response in relation to the Ministerial directions and the respective services and agency agreements reimbursements received during the year plus other nominal amounts.

On 7 October 2019, NHC Toka Tū Ake entered into an agreement with the Crown that allowed owners of on-sold over-cap properties in Canterbury to apply for an ex-gratia Government payment to have their homes repaired. This process is facilitated by NHC Toka Tū Ake and funded in full by the Crown, resulting in the revenue offsetting the expenses in full.

On 11 October 2019, NHC Toka Tū Ake entered into an agreement with Southern Response whereby NHC Toka Tū Ake acts as agent in managing Southern Response's remaining customers. The costs incurred in fulfilling this contract, plus an overhead margin are funded by Southern Response.

### **Outward reinsurance expense**

Premiums paid to reinsurers are recognised by NHC Toka Tū Ake as outward reinsurance premium expense in the Prospective Statement of Comprehensive Revenue and Expense from the attachment date over the period of indemnity of the reinsurance contract, in accordance with the expected pattern of the incidence of risk.

Prepaid reinsurance premiums are included in outward reinsurance expense asset in the Prospective Statement of Financial Position.

### **Claims (expense)/reduction**

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

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

### **Outstanding claims liability**

The outstanding claims liability is recognised at balance date as the central estimate of the present value of the expected future payments for claims incurred to balance date, plus an additional

risk margin to allow for the inherent uncertainty in the central estimate. The expected future payments include those in relation to claims reported but not yet paid, incurred but not reported (IBNR), incurred but not enough reported (IBNER) and claims handling costs.

The outstanding claims liability, comprising all unpaid claims and claims handling expenses related to claims incurred prior to the end of the reporting period, was valued in accordance with New Zealand Society of Actuaries Professional Standard No.30 – Valuations of General Insurance Claims, and PBE IFRS 4 – Insurance Contracts.

The risk margin associated with an event is amortised over the financial year to reflect a reduction in uncertainty within the central estimate as increased numbers of claims are settled.

### **Natural Hazard Fund**

The Natural Hazard Fund is managed by NHC Toka Tū Ake on behalf of the Crown in accordance with Part 4 of the NHI Act.

### **Contingent liabilities**

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

**Te Kāwanatanga  
o Aotearoa**  
New Zealand Government



**Natural Hazards  
Commission**  
Toka Tū Ake