

# The Treasury

## Government Response to the Public Inquiry into the Earthquake Commission Information Release

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Office of the Minister Responsible for the Earthquake Commission

Office of the Minister for Greater Christchurch Regeneration

Chair, Cabinet Economic Development Committee

## **Government Response to the Public Inquiry into the Earthquake Commission**

### **Proposal**

1. This paper seeks agreement to the proposed Government response to the report and recommendations of the Public Inquiry (the Inquiry) into the Earthquake Commission (EQC). We propose the Government accepts, accepts in principle, or commits to further work on all recommendations.

### **Relation to government priorities**

2. The proposals outlined in this paper will advance the objectives in the National Disaster Resilience Strategy,<sup>1</sup> which has a number of objectives which align to the proposed response to the Inquiry, in particular:
  - 2.1. “strengthen the national leadership of the emergency management system to provide clearer direction and more consistent response to and recovery from emergencies” and
  - 2.2. “ensure it is clear who is responsible for what, nationally, regionally, and locally, in response and recovery; enable and empower community-level response, and ensure it is connected into wider coordinated responses, when and where necessary.”

### **Executive Summary**

3. Cantabrians were traumatised by thousands of earthquakes which followed an initial 7.1 magnitude earthquake on 4 September 2010. For many people, the experience of fighting to receive insurance payments and rebuild their home was extremely stressful.
4. The Earthquake Commission, which provides natural disaster insurance cover for damage to privately insured residential properties, was unprepared for an event of this size. EQC was not alone: the whole of government’s preparedness was less than ideal.
5. The managed repair programme, which EQC had not planned for but was required to implement, saw poor assessment of properties result in missed damage and/or botched repairs. More than ten years after the event, too many people are still living in homes that have been not adequately repaired. The social and health costs of this are significant. The confidence New Zealanders have in post-event recovery has been seriously undermined, including growing concerns for the standard of our housing stock.
6. In November 2018, the Government appointed Dame Silvia Cartwright to undertake a Public Inquiry into the Earthquake Commission. The Inquiry’s purpose was to ensure lessons are

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<sup>1</sup> The National Disaster Resilience Strategy is issued by the Minister of Civil Defence, pursuant to s 31 of the Civil Defence Emergency Management Act 2002. It provides an outline of the Crown’s goals in relation to civil defence emergency management, including the objectives to be pursued to achieve those goals. The current strategy came into effect on 10 April 2019.

learnt from people's experiences following recent natural disaster events in New Zealand. The Inquiry's report was publicly released on 9 April 2020.

7. The Inquiry's report makes it clear we need to put in place appropriate policies and an operating structure for EQC, so no other communities have to suffer the same experiences as the people in Canterbury. The Report contains 70 recommendations, raising broad policy issues, including government's disaster preparedness, while others are operational. Responses to each recommendation are provided in Appendix 1.
8. We propose the Government accepts, accepts in principle, or commits to further work on all recommendations. This entails taking a wide range of actions to improve both the operations of EQC, including modernisation of the EQC Act 1993, and cross-government preparedness for future natural disaster events.

### **Background – The Public Inquiry into the Earthquake Commission**

9. During 2010 and 2011, the Canterbury region experienced New Zealand's most significant earthquake sequence in modern times. EQC received more than 583,000 claims for damage to approximately 168,000 residential dwellings from this event sequence.
10. The human cost of the Canterbury earthquake sequence will be felt for some considerable time. Multiple problems have arisen in resolving the Canterbury earthquake claims, and people who were traumatised by the earthquakes were further traumatised by the organisations that were meant to help them rebuild their homes and their lives.
11. Some of these problems have since been addressed, however almost ten years after the Canterbury events, 2,358 residential property claims (including private insurer and EQC claims) remain unsettled as at the end of March 2020.
12. In November 2016, New Zealand experienced another significant earthquake in the Kaikōura region, although this did not involve as many properties or have the same impact as the Canterbury earthquake sequence.
13. EQC plays a critical role in New Zealand's ability to recover from natural disaster events, however it has suffered significant reputational damage since the Canterbury earthquakes. Given its importance, in November 2018 the Government established an inquiry into EQC's approach to the land and residential claims management process and the related outcomes for the Canterbury earthquake events.
14. In November 2018, the Government appointed Dame Silvia Cartwright PCNZM DBE QSO DStJ to undertake the Public Inquiry into the Earthquake Commission. We received the Inquiry report on 27 March 2020, and it was presented to the House on 9 April 2020.
15. Cabinet agreed the purpose of the Inquiry was ensure lessons are learned from the past Canterbury earthquake experiences, and that EQC has the appropriate policies and operating structure in place to ensure improved claims management experiences in the future (DEV-18-MIN-0021 refers).
16. The inquiry was to also consider EQC's response to the Kaikōura earthquake and the Edgecumbe floods in the Bay of Plenty in April 2017, which contributed to more than 1,000 claims made to EQC as the result of storms at the time.
17. To achieve this, the Inquiry examined the issues in its scope, namely:

- 17.1. Canterbury operational practice experiences;
  - 17.2. Comparative experiences; and
  - 17.3. Future strategies.
18. The Inquiry did not address questions of civil, criminal, or disciplinary liability, nor the resolution of actual claims that remain unresolved, nor re-opening settled claims. However, it was empowered to make findings of fault, or recommendations for further steps to be taken to determine liability, under section 11(2) of the Inquiries Act 2013.

### **Capturing the voices of Canterbury**

19. Public engagement was a significant part of the Inquiry process. The Inquiry took an inquisitorial approach to ensure that Dame Silvia met as many people affected by these natural disasters as possible. The Inquiry has comprehensively documented the feedback gathered through the engagement process in a compendium to the report, titled *'What we heard: Summary of feedback from the Inquiry's public engagement.'*
20. Alongside the Inquiry report itself, *'What we heard'* is a central reference document for Government as we continue to look closely at people's experiences with EQC, issues around repair work of homes and quality assurance of work carried out, to inform policy work and decision-making going forward.
21. Through this Inquiry, people's stories were heard and their experiences documented. The Government is taking the lessons learned and is working to make sure no other New Zealanders need to live through this horror again.

### **Key findings**

22. The report produced a wide-ranging and comprehensive set of findings, resulting in 70 recommendations. Some recommendations raise broad policy issues, including Government's disaster preparedness. Others are operational: relating to matters such as claims management and EQC relationships with central government agencies and private insurers. Responses to each recommendation are provided in Appendix 1.
23. We consider that the findings and recommendations in the report can be broadly grouped into three core themes:

### ***Modernising the Earthquake Commission Act***

24. The Inquiry identified a need to update the EQC Act 1993. It recommended improved legislative clarity around specific definitions in the Act, the treatment of multi-unit and mixed-use buildings, and complex provisions in the Act such as land cover. The Inquiry also recommended amending the Act to include a purpose statement to guide the discharge of EQC functions. This would bring the Act in line with modern laws which contain purpose statements to aid in interpretation.<sup>2</sup>
25. The Inquiry also recommended reviewing the cap on payment to homeowners as it proved to be inadequate for repair of many properties. This led to greater interaction than desirable between EQC and insurers.

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<sup>2</sup> The injunction in section 5(1) of the Interpretation Act 1999 states that enactments are to be interpreted in light of their purpose

### *A more people-centred claims system*

26. Too many Cantabrians, already traumatised by the earthquakes, faced further trauma through their experiences dealing with EQC and insurers. Claimants reported massive frustrations in their dealings with EQC, with many suffering high stress levels, anxiety, and emotional exhaustion.
27. The Inquiry stated that claimants should be dealt with respectfully, fairly and professionally and with a sensitivity to the post-disaster pressures they might be facing. A more people-centred approach must therefore underpin all aspects of the claims system including:
  - 27.1. the claims management process
  - 27.2. claimant access to information
  - 27.3. EQC's communications approach
  - 27.4. dispute resolution.

### *Clarification of roles and responsibilities*

28. Recommendations to clarify EQC's role fall into three groups: EQC's role in the natural disaster system; who would operate a managed repair programme; and maintaining the quality of housing stock.
29. The Inquiry found the government, and in particular EQC, was not adequately prepared for the magnitude of the disaster that struck through the Canterbury earthquake sequence. New Zealand must have much greater, and better integrated, government pre-disaster preparedness.
30. The Inquiry found there were multiple failings across a range of government organisations in the response to the Canterbury earthquake sequence. EQC's relationships with other organisations in the emergency management system are critically important for EQC's ability to perform its recovery functions.
31. The Inquiry recommends greater legislative and operational clarity about the role of EQC in the Government's emergency management system, in relation to other agencies. For instance, the expectations of EQC in land-use planning and co-ordination of land remediation.
32. The Inquiry emphasised the need for the Government to clarify its expectations for who will lead any future managed repair programme, whether this is EQC or another organisation.
33. The Inquiry considered that the previous Government's reasons for implementing a managed home repair programme were sound, and that such a programme will likely be needed again after future large natural disasters. However, the Inquiry notes that giving responsibility for the Canterbury Home Repair Programme to EQC "was a mistake". EQC did not have the resources, capability or expertise to manage such a programme, resulting in botched repairs that too often failed to fix all the damage to a property, or in some cases didn't fix any damage at all. Many claims have since been reopened.
34. The Inquiry also emphasises the importance of EQC's relationship with private insurers, and challenges whether EQC requires greater legislative powers to compel private insurers to share claimant information.

35. The Inquiry report expresses grave concerns about the quality of the housing stock in Canterbury and also in Kaikōura/Hurunui. These concerns are partially because of indications that some cash settlements in Kaikōura/Hurunui may not, as yet, have been spent on the assessed damage repair.
36. The Inquiry also noted that several submitters, including building and project management businesses, expressed concern that insurers' assessments under-compensated for damage and noted "...if these views prove reliable then there are serious issues to be addressed to ensure the security and quality of the settlements from the Kaikōura/ Hurunui event." For Canterbury, they are also due to shortcomings in EQC's damage assessment practices and the quality of repairs. Additionally, the Inquiry found historic building practices meant the housing stock was poorly equipped to sustain earthquake damage.
37. The Inquiry recommended that Government review many of the legislative provisions and operational practices that underpin the quality of building and assessment activities, and that further research is needed to fully understand the effects of cash settling claims on the quality of the housing stock.

### **Progress since Canterbury sequence**

38. EQC has apologised unreservedly for the significant negative effect on their customers and their families as a result of shortcomings in their response to the Canterbury earthquakes. EQC has made major improvements since the Canterbury earthquake sequence started in 2010. A summary of the Government's response to the Canterbury and Kaikōura earthquakes to date is attached as Appendix 2.
39. In June 2018 the report by the Independent Ministerial Advisor, Christine Stevenson, was released. This led to a case management system being introduced so homeowners have one person who looks after their claim. The case management model is now embedded and is delivering tangible results for customers through increased claims settlement rates, with a particular focus on aged claims.
40. A Claimant Reference Group was established. This group of Canterbury homeowners and advocates has been instrumental in identifying areas of improvement for the claim experience and has provided suggestions on operational changes that can be made.
41. Dispute resolution has been significantly improved: initially through expansion of the Residential Advisory Service, followed by the introduction of the Greater Christchurch Claims Resolution Service and the Canterbury Earthquake Insurance Tribunal.
42. The establishment of impartial, Government funded dispute resolution services provides claimants with support to resolve their claim without resorting to expensive legal action or utilising the services of private advocates. Some of these advocates made matters worse for the claimants and took money needed to repair homes.
43. In February 2019 four changes were made to the EQC Act, these quick fixes mean future claimants have two-years to lodge their claim and the cap on EQC residential building cover has increased to \$150,000 (+ GST). This will result in less over-cap claims and double handling.
44. EQC no longer provides cover for contents: simplifying EQC's role and freeing up resources for property claims.
45. EQC is able to share more information about previous claims on a home, or to prevent or lessen a threat to public health and safety. People can find out about EQC claims on a

property before they purchase a home and EQC shares information with organisations such as councils.

46. EQC has put in place processes to resolve issues: reducing the number of claimants in litigation. EQC has introduced a set of customer principles, to use to publicly measure its performance against on an annual basis, and that will continue to see EQC focus on an improved customer experience. These are based on the Insurance Council New Zealand *Fair Insurance Code*, and will support a better customer interface and more consistent approach across the industry.
47. EQC has strengthened its partnerships with many organisations to enable it to respond faster and scale up rapidly in response to future events. In particular EQC has improved its relationships with private insurers. This was demonstrated in its response to the 2016 Kaikōura earthquakes, where EQC's agency arrangement with most private insurers who, acting on EQC's behalf, assessed a number of claims for residential damage arising from that earthquake.
48. EQC is continuing to finalise its operating model based on the positive experience of the Kaikōura pilot. EQC intends to enter into agreements with private insurers, to ensure New Zealanders receive timely and responsive insurance services, should an event occur in the near future. This will create a fair, simple and speedy claims experience for customers where New Zealanders have a single point of contact, likely to be with their private insurer, who will handle all claims from start to finish, with EQC reimbursing the costs to the insurer for which EQC is responsible. This approach to claims management, known as the 'insurer model', is expected to improve efficiencies in allocating skills and resources across the insurance industry, and collaboration between EQC and private insurers on information sharing.
49. More detail on the insurer model was provided in the paper 'EQC Engagement with the insurance industry' recently considered by Cabinet.
50. EQC has also strengthened its relationships with central and local government, and regularly engages with the Treasury and other agencies on relevant policy and regulatory changes. We expect EQC's relationships with other agencies to be further strengthened by improved clarity on system roles and responsibilities, which is expected to provide a mandate for increased interagency collaboration.
51. In August 2019 the Government announced an ex-gratia payment to homeowners who had purchased a home with botched or missed repairs. People with on-sold properties were trapped in damaged homes with no resolution: they are now able to get their home repaired and move on with their lives.

### **Responding to the Inquiry**

52. The Inquiry clearly demonstrates the previous shortcomings of EQC and the wider government in disaster preparedness and response. The Inquiry's recommendations, alongside its summary of feedback, enable the Government to learn from the experiences of claimants and ensure that their traumatic experiences are not repeated.
53. The Government's response to the Inquiry consists of a number of specific actions and work programmes that will improve the operations of EQC and overall cross-government preparedness for future natural disasters.
54. The proposed response at Appendix 1 states a Government position on each recommendation, being either:

- 54.1. **Accept:** The Government accepts the intent of the recommendation and the mechanism for delivery.
- 54.2. **Accept in principle, further consideration on mechanism:** The Government accepts the intent of the recommendation, and commits to further work to determine the best mechanism to deliver it.
- 54.3. **Further consideration needed:** The Government commits to further work on this recommendation.
- 55. Along with the proposed Government position, Appendix 1 also sets out the timing, process, and lead agency for implementing each recommendation or considering it further.
- 56. Many of the recommendations are operational and fall within the purview of the EQC Board's governance role. The EQC Board has considered and agreed the responses on all of the operational recommendations that have been attributed to EQC to progress.
- 57. To ensure EQC's response to the recommendations is robust, EQC has commissioned an external review to ensure it is well prepared for implementing of the Public Inquiry recommendations. These reviews, by a third party, will provide an independent view on whether the recommendations have been implemented effectively and efficiently, at an operational level, and if necessary set out further actions EQC will need to undertake, recommend timeframes within which these actions should be completed. These external reviews will be completed by March 2021 and will be published on EQC's website as soon as possible.
- 58. While the proposed response is focused on the Inquiry recommendations, we note that the Inquiry report and its companion document 'What we heard' include many useful findings and insights that Treasury and EQC are also collating and will progress at officials' level and with the responsible Ministers as required. For example, the Inquiry report provides a number of useful comments and suggestions relating to improving court and tribunal processes in response to litigation arising from future natural disasters.

### **Summary of the proposed response to the Public Inquiry into EQC**

- 59. The themes of the Inquiry's findings and recommendations that we refer to above provide a useful basis for summarising the Government response to the Inquiry. Namely:
  - 59.1. Clarification of roles and responsibilities: EQC's role in the natural disaster system; who would operate a managed repair programme; and maintaining the quality of housing stock;
  - 59.2. A more people-centred claims system;
  - 59.3. Modernisation of the Earthquake Commission Act.
- 60. The core elements of the proposed response are summarised below and outlined in detail at Appendix 1.
- 61. The response builds on the significant progress that has already been made in Government policy and EQC operational practice. Progress to date has been based on what was learnt from Canterbury and subsequent events, and on findings from additional reviews of the organisation over recent years, such as the Independent Ministerial Advisor's report in June 2018.

62. Implementing the proposed response will enable Government to take a wide range of actions to improve both the operations of EQC and cross-government preparedness for future natural disaster events.

#### *Clarifying roles and enabling preparedness*

63. The Inquiry found there is a need for much greater, and better integrated, government pre-disaster preparedness. In conjunction with a programme of modernisation of the Earthquake Commission Act, the development of greater operational clarity about the role of EQC in the Government's emergency management system would see EQC better placed to carry out its expected functions. EQC is already undertaking work to improve collaboration and information sharing before and after major events. This includes determining how this best fits within the broader emergency management framework.
64. We propose that Government takes a number of steps to clarify the role of EQC in relation to other agencies, to enable greater cross-government preparedness planning for future events.
65. This includes:
  - 65.1. progressing relevant work already initiated by the National Emergency Management Agency (NEMA) in partnership with other government agencies and stakeholders to further clarify the role and responsibilities of NEMA, and the wider emergency management sector, across the 4Rs (readiness, risk reduction, response and recovery).
  - 65.2. clearer statutory arrangements to support EQC in discharging its responsibilities. This will include the addition of a purpose statement and supporting principles to the EQC Act, which would outline explicit responsibilities for the functions Government expects EQC to carry out;
  - 65.3. determining whether EQC or a different agency is expected to lead a future managed repair programme, so that the lead organisation is adequately prepared to undertake the role; and
  - 65.4. balancing clear communication of expectations against the need for flexibility to respond to the particular characteristics and challenges of future events.

#### Improving collaboration between EQC and other organisations

66. Clarifying roles and responsibilities is a foundational theme of the Inquiry report, and the response on these issues should be progressed as a matter of priority. This is because clarity on these matters will enable detailed preparedness planning across Government, and in particular within EQC. A number of the Inquiry's other operational and policy-related recommendations are dependent on decisions about the role and purpose of EQC.
67. EQC's operating model is based on cash settling claims and therefore EQC doesn't have the capacity or capability to undertake a managed repair programme. If there was an event tomorrow and a managed repair programme was required, it would need to be created. Implementing the Inquiry recommendations on role clarity requires either providing strong direction from Government to EQC that it is expected to undertake a future managed repair programme, or assigning this role to another agency in the system.
68. Collaboration between EQC and other organisations is also important to ensure that the vast knowledge EQC holds relating to natural hazards is able to be widely disseminated and utilised. EQC has put a greater focus on its research and education function in recent years, including conducting more research to provide EQC with better modelling, and providing local

councils invaluable research data around natural hazards, construction, and land information to inform decision-making. EQC is developing a Resilience Strategy for Natural Hazard Risk Reduction to further support community resilience throughout the country.

69. NEMA plans to report back to Ministers by December 2020 on progress made to clarify the role and responsibilities of NEMA and the wider emergency management system. NEMA's stewardship role provides an avenue to consider the role and purpose of EQC as part of a more holistic consideration of the emergency management system. However, decisions about the role and purpose of EQC must be made within the broader context of other agency roles. While NEMA is able to provide an emergency management system stewardship lens, other agencies, such as Treasury, MBIE and EQC itself, may be better placed to lead specific considerations on the role of EQC.
70. Taking into account the findings and recommendations of the Inquiry, Government can support further improvements in collaboration between EQC and its critical partners by:
  - 70.1. ensuring related central government agencies have a mandate to work with and support EQC to discharge its functions as necessary;
  - 70.2. undertaking further policy work to consider whether EQC requires any legislative mechanisms to support its ability to effectively collaborate with private insurers; and
  - 70.3. considering how the knowledge and experience held by EQC can better support decision-making in the land-use planning system.

#### *A more people-centred claims system*

71. While we recognise that EQC was placed under almost impossible political and public pressure to undertake its role in assessing damage and beginning the settlement of claims, Dame Silvia Cartwright's review concludes that EQC fell short of expectations in providing claimants with information that was helpful in a time of great uncertainty. Claimants struggled to obtain access to information around timelines and guidance on the insurance process, fostering a distrust of EQC that has been a theme of the recovery.
72. Despite significant improvements, the Inquiry report highlights that further changes can be made to ensure people are at the centre of the work EQC does and the design of the claims system.
73. In particular, the findings of the Inquiry demonstrated that the mechanisms put in place for responding to disputes arising from the Canterbury earthquakes like GCCRS and the Tribunal, though successful, came too late. Many of the disputes could have been resolved earlier if better information and advice had been available as well as access to consensual dispute resolution processes such as mediation.
74. We propose Government should support a more people-centred claims system by:
  - 74.1. agreeing the best mechanism for responding to a large influx of insurance-related disputes following a natural disaster, and the place of Community Law centres in this response. This includes developing a standing dispute resolution mechanism, and continuing to proactively support and increase funding where appropriate to Community Law services. The mechanism should be tiered with several stages including preventative measures (eg, early information), improved support during disputes (eg, access to legal and technical advice, case management, mediation and, as a last resort, case determination) and effective and integrated referral systems to other support services.

- 74.2. supporting EQC in its sustained efforts to put people at the heart of its work, including through improved complaints procedures and continued monitoring by Treasury.

*Modernisation of the Earthquake Commission Act*

75. We consider that it is necessary to modernise the Earthquake Commission Act to better align it with the expected functions of the Earthquake Commission in post-hazard recovery. Following the Canterbury earthquakes of 2010 and 2011, it was apparent that the Earthquake Commission's systems and processes were inadequate to deal with the unprecedented damage the earthquakes caused in Canterbury, based on a lack of clarity around its legislative functions and expectations. Perverse outcomes for claimants were the result of a lack of clarity and ambiguity of direction, which was exposed by the Canterbury earthquake sequence.
76. The Inquiry identified an urgent need for clarifications and updates to the EQC Act 1993 which would serve as a remedy for this ambiguity. It recommended improved legislative clarity around specific definitions in the Act, the treatment of multi-unit and mixed-use buildings, and complex provisions in the Act such as land cover.
77. Officials are already working on potential improvements to the legislation through a review of the EQC cap<sup>3</sup>. Cabinet has already approved targeted amendments to the EQC Act to ensure the equitable treatment of mixed-use buildings under the EQC Act (DEV-20-MIN-0039 refers).
78. It is our intention that Treasury undertake a substantive modernisation of the EQC Act, which is a key work programme to take forward the Government response to the Inquiry. We had signalled that a review would be undertaken earlier in the Government term, but Ministers paused this work to ensure it would be informed by outcomes of the Public Inquiry. A fundamental objective of the modernisation will be to consider currently unclear and outdated provisions in the Act, building on the recommendations of the Public Inquiry into EQC. We are currently considering options on the scope and timing of the modernisation of the Act, the earliest of which would see the introduction of an EQC Bill by June 2021.
79. Housing is a key priority of this Government. Transforming our housing market to unlock productivity growth and make housing more affordable is a major part of our economic vision. Government must ensure that our efforts to improve our resilience through greater disaster preparedness are aligned with these broader objectives. In response to the Inquiry recommendations, we propose that Government commits to:
- 79.1. ensuring that the quality of the housing stock is not reduced following a natural disaster, such as through reducing barriers to homeowners undertaking additional repairs and improvements to homes in conjunction with repairs for natural disaster damage;
- 79.2. improving communication between lead housing policy agencies and emergency management agencies to align policy objectives and identify opportunities for collaboration;
- 79.3. further work to ensure builders and contractors meet their existing obligations to carry out the repairs that they are contracted to do, for example by improving sign off processes by project managers and contractual arrangements between parties; and

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<sup>3</sup> The EQC cap can be changed through regulation.

- 79.4. undertaking research to fully understand the effects of cash settling claims on the quality of the housing stock in Kaikōura/Hurunui, to inform future decision-making on EQC's claims management operations.

## **Implementation**

### *A work programme to take forward the response*

80. We propose that work on the recommendations related to clarifying roles and enabling preparedness is prioritised. Reaching decisions on these matters is critical to Government's ability to progress detailed work on other recommendations that are dependent on the outcomes of decisions on roles and responsibilities. For example, detailed work planning for a future managed repair programme will be most usefully progressed following the clear assignment of the managed repair role.
81. Lead agencies responsible for progressing recommendations are expected to take these forward as soon as practicable.

### *Cross-government collaboration will be required*

82. Roles, responsibilities, and policy leadership in the current emergency management system sit across a number of different agencies. Central government agencies that will be key to the response include:
- 82.1. The National Emergency Management Agency (NEMA) was established on 1 December 2019, as part of Government's response to a Ministerial review into better responses to emergencies, commissioned after the November 2016 Kaikōura earthquake and tsunami and the 2017 Port Hills fire and Edgumbe flooding. NEMA provides leadership and coordination across the 4Rs (risk reduction and readiness as well as responding to, and recovering from emergencies).
- 82.2. The Treasury: the administering department for the EQC Act, and policy lead on EQC questions and advice to Government. Treasury is also EQC's monitoring agency.
- 82.3. The Department of Internal Affairs (DIA): lead agency for the cross-government Community Resilience work programme, the overarching objective of which is to build community resilience to natural hazards and climate change risks.
- 82.4. The Ministry of Housing and Urban Development (MHUD): responsible for strategy, policy, funding, monitoring and regulation of New Zealand's housing and urban development system.
- 82.5. The Ministry of Business, Innovation and Employment (MBIE): as the national building regulator and administering department for the Building Act, MBIE holds policy responsibility for regulation under the Building Code. It also has experience and technical expertise in setting up and running support and advisory services for people impacted by natural disasters (eg, RAS, GCCRS, and the mediation service for the Tribunal) and policy and regulatory experts on financial markets.
83. Progress on the response will require cross-agency collaboration across these agencies. Other relevant agencies that are less central to the Government response include the State Services Commission (SSC), the Ministry for the Environment (MfE), Land Information New Zealand (LINZ), and the Ministry of Justice (MoJ).

## **Next steps**

84. The next steps to take forward the Government response to the Inquiry are set out in detail at Appendix 1.
85. A number of recommendations have a common implementation mechanism. In addition to ongoing improvements in EQC operations, there are three main work streams across government that will take forward the various recommendations:
  - 85.1. A substantial modernisation of the EQC Act by Treasury, with an amendment Bill to be introduced mid-2021;
  - 85.2. NEMA-led work on clarifying roles and responsibilities in the emergency management system;
  - 85.3. DIA-led cross-government Community Resilience work programme, the overarching objective of which is to build community resilience to natural hazards and climate change risks.
86. We are cognisant that an event could occur prior to the finalisation of these work programmes. Officials are considering interim arrangements and gaps that can be addressed in the short-term, should an event occur whilst longer-term work is in train.
87. The Treasury will coordinate six-monthly report-backs of progress on all recommendations to a group of relevant portfolio Ministers, including the Minister Responsible for the Earthquake Commission, Minister for Greater Christchurch Regeneration, Minister of Housing, Minister for the Environment, Minister for Building and Construction, Minister of Local Government, and Minister of Civil Defence.

## **Financial Implications**

88. There are no financial implications arising from the proposals in this paper.

## **Legislative Implications**

89. At a minimum, legislation will be required to give effect to a number of the proposed changes through amendments to the EQC Act.
90. The provisions of any Bill to implement the changes are expected to be binding on the Crown, as is the current EQC Act.
91. Subject to the outcomes of further policy work on broader roles and responsibilities in the emergency management system, additional amendments may also be required to other civil defence and emergency management legislation.

## **Impact Analysis**

### **Regulatory Impact Statement**

92. The impact statement requirements do not apply to proposals in this paper. RIA will be required in the next stage of the work, when agencies report back on detailed proposals for legislative change.

### **Climate Implications of Policy Assessment**

93. The impact statement requirements do not apply to proposals in this paper.

## **Population Implications**

94. There are no specific population implications of the proposals in this paper.

## **Human Rights**

95. There are no human rights implications of the proposals in this paper.

## **Consultation**

96. EQC, MHUD, DIA, LINZ, MoJ, MfE, MBIE, SSC, NEMA and DPMC (Greater Christchurch Group) have been consulted on this paper.
97. The DPMC Policy Advisory Group was informed about this paper.

## *EQC comment*

98. EQC welcomes the Public Inquiry's recommendations and is prioritising implementing them in a timely manner as part of our commitment to reducing the impact on New Zealanders and their property when natural disasters occur. However we are conscious that a major natural disaster could happen at any time and there is work to do to ensure we are prepared. We are concerned that this paper as it stands does not demonstrate the urgency required for government agencies to address the issues raised by the Public Inquiry.
99. In our view, the lessons learned from the Canterbury earthquake sequence need to be implemented quickly to ensure that New Zealand's national security system remains up to date and is as effective as possible for the next event. This, underpinned by an all hazards, all risk approach of 'risk reduction, readiness, response and recovery, also supports the objectives set out in the Government's 'National Disaster Resilience Strategy'. It is timely in light of the Public Inquiry and the Covid-19 pandemic that we remain vigilant to ensure our systems are ready, should they be required.
100. EQC cannot do this alone, as addressing the recommendations directed at EQC are in many cases dependent on it getting clarity on its purpose, role and responsibilities. The lack of timeframes relating to roles and responsibilities is disappointing as it does not demonstrate any urgency to mitigate the gaps identified by the Public Inquiry. EQC considers that the inclusion of specific timeframes for the delivery of this work would give more impetus to its delivery.
101. The EQC board has undertaken a comprehensive and thorough review of all the Public Inquiry's recommendations, and identified key actions and timeframes for areas where we have further work to do. While grateful for the input of relevant government agencies into this Cabinet paper, we remain concerned that the absence of timeframes especially in relation to the roles and responsibilities recommendations leaves a known gap in the Government's preparedness to respond to any natural disaster with a housing recovery component.
102. The EQC Board has directed EQC management to report on a monthly basis on the progress of implementing the Public Inquiry's recommendations. This will ensure momentum is maintained and allow the Board to be appraised early of whether there are any issues so that they can be alleviated.

## Communications

103. There has been a great deal of public and personal interest in the Inquiry's report over the last two years, in particular from Canterbury and from those who have submitted on their experiences.
104. The Minister Responsible for the Earthquake Commission and the Minister for Greater Christchurch Regeneration will announce the Government response to the Inquiry.

## Proactive Release

105. This paper will be proactively released as soon as possible following Cabinet's decisions, and will be subject to redactions as appropriate under the Official Information Act 1982.
106. In the interests of transparency, we note the Treasury and EQC will also proactively release the internal documents that were shared with the Public Inquiry to inform the Inquiry's report as soon as possible. EQC has already proactively released the 18 briefings it provided to the Public Inquiry, and plans to also release the reference documents that support those briefings.

## Recommendations

The Minister Responsible for the Earthquake Commission and the Minister for Greater Christchurch Regeneration recommend that the Committee:

1. **note** that on 9 April 2020, the report of the Public Inquiry into the Earthquake Commission was presented to the House and publicly released;
2. **note** that the purpose of the Inquiry was to ensure lessons are learned from the past Canterbury earthquake experiences, and that EQC has the appropriate policies and operating structure in place to ensure improved claims management experiences in the future (DEV-18-MIN-0021 refers);
3. **approve** the proposed Government responses to the 70 recommendations of the Inquiry report at Appendix 1, including to accept, accept 'in principle', or agree to further consideration of each of the recommendations;
4. **note** the EQC Board has considered and agreed the responses to the operational recommendations that have been attributed to EQC to progress;
5. **note** that in addition to ongoing improvements in EQC operations, there are three main work streams across government that will take forward the various recommendations:
  - 5.1 A modernisation of the EQC Act, that will result in an amendment Bill introduced 2022;
  - 5.2 NEMA-led work on clarifying roles and responsibilities in the emergency management system;
  - 5.3 DIA-led cross-government Community Resilience work programme, the overarching objective of which is to build community resilience to natural hazards and climate change risks;
6. **direct** the Treasury, NEMA, DIA, MBIE, EQC and other relevant agencies to work together to progress the work on clarifying roles and responsibilities as a matter of priority;

7. **agree** to the Resilience Ministers Group providing advice to the Minister Responsible for the Earthquake Commission on policy work on EQC and natural hazard management for a modernised EQC Act, with officials reporting monthly to Resilience Ministers on progress.
8. **note** that legislation will be required to give effect to a number of the proposed changes through a modernisation of the EQC Act;
9. **direct** officials to report back to Cabinet by 31 March 2021 with decisions for a bill modernising the EQC Act to ensure the bill can be introduced by July 2021.
10. **agree** that this Cabinet paper will be proactively released as soon as possible following Cabinet decisions, subject to any redactions consistent with the Official Information Act 1982;
11. **agree** that the Minister Responsible for the Earthquake Commission and the Minister for Greater Christchurch Regeneration will announce the Government response to the Inquiry;
12. **note** that the Treasury and EQC will proactively release the internal documents that were shared with the Public Inquiry to inform the Inquiry's report as soon as possible.

Authorised for lodgement

Hon Grant Robertson  
**Minister Responsible for the Earthquake  
Commission**

Hon Dr Megan Woods  
**Minister for Greater Christchurch Regeneration**

### Appendix 1: The proposed Government responses to the 70 recommendations of the Inquiry report

- **Accept:** The Government accepts the intent of the recommendation and the mechanism for delivery.
- **Accept in principle, further consideration on mechanism:** The Government accepts the intent of the recommendation, further consideration is required before the Government is in a position to determine the best mechanism to deliver it.
- **Further consideration needed:** Further consideration is required before the Government is in a position to respond to this recommendation.

#	Theme/recommendation	Lead <sup>4</sup>	Response	Next steps
1.1.1	Provide a mandate in legislation for EQC (or another appropriate agency) to coordinate the residential insurance response to ensure housing recovery following a natural disaster, including setting roles and responsibilities, monitoring performance and requiring assistance from other government agencies.	Joint NEMA/Treasury/E QC	Accept.	NEMA, the Treasury and EQC will work together in consultation with other relevant agencies over 2020-2021 to consider EQC's future role and mandate in the emergency management system. This work will inform the modernisation of the EQC Act, the scope of which is currently being considered by Ministers, with the objective of introducing amending legislation in mid-2021 at the earliest.
1.1.2	Clarify expectations with EQC about its responsibility in land-use planning before, and for the coordination of land remediation after, a natural disaster.	<b>Treasury</b> /MfE/ DIA/EQC	Accept.	<p><i>Role of EQC in land-use planning</i></p> <p>Work is already underway within EQC to develop a work programme and strategy around how it can contribute to decision-making in the land-use planning process. The Treasury and EQC will work in consultation with MfE, DIA and local government on further policy work regarding the role of EQC in land-use planning over 2021 in response to recommendations <b>6.4.1</b> and <b>6.4.2</b>. This will inform work to modernise the EQC Act and will leverage other opportunities across Government's existing work programme in the local government and natural hazards space.</p> <p><i>Role of EQC in land remediation</i></p> <p>The extent to which EQC is involved in land remediation in the future should be considered following decisions about its involvement in managed repair, as the two functions are closely related – with land remediation a prerequisite to managed repair in many instances.</p>
1.1.3	Determine how a managed repair programme might be initiated and executed should it be required and whether EQC should be the lead agency to conduct the programme. If not, then specify EQC's role in a managed repair and rebuild programme. As part of this, review the discretion in Schedule 3 of the EQC Act enabling EQC to manage the replacement or reinstatement of properties.	Joint Treasury/EQC/NE MA/MBIE	Accept.	The Treasury and EQC will work together in consultation with other relevant agencies to consider EQC's future role and mandate in the emergency management system over 2020-2021.

<sup>4</sup> Note the lead agency has been **bolded**.

1.1.4	Review the appropriateness of the title of the EQC Act to make clear its scope is not limited to earthquakes but to a range of natural disasters.	<b>Treasury</b>	Accept.	The title of the EQC Act will be reviewed as part of work to modernise the EQC Act, the scope of which is currently being considered by Ministers, with the objective of introducing amending legislation in mid-2021 at the earliest.
1.1.5	Develop a mechanism that identifies the threshold for a “major natural disaster”, which triggers the coordination of a residential insurance response to ensure housing recovery.	EQC or other responsible agency TBC	Further consideration needed.	The agency that is given responsibility for the post-disaster residential insurance response and future managed repair programme through implementation of recommendations <b>1.1.1</b> and <b>1.1.3</b> will lead work on the thresholds for determining the nature of the insurance response or whether a managed repair programme is needed.
1.2.1	Consider inclusion of a purpose statement and set of principles in the EQC Act that will guide the discharge of EQC’s responsibilities as an insurer with a social responsibility to claimants.	<b>Treasury</b>	Accept.	<p>These recommendations will be implemented as part of work during 2020-2021 to modernise the EQC Act, including its key provisions and definitions.</p> <p>The work to modernise the Act will also consider relevant commentary in the Inquiry report which stated that it would be worth revisiting the proposal to introduce a test to ensure that any new functions assigned to EQC do not unduly detract from its core business in settling residential insurance claims.</p> <p>The development of a clear purpose statement for inclusion in the EQC legislation in response to recommendation <b>1.2.1</b> may serve to address concerns raised in recommendation <b>1.4.1</b> by reducing the need for Ministerial directions in future.</p>
1.3.1	Review the legislative framework so that there is a greater clarity of key provisions and definitions, including definitions of the phrases in the legislation such as “when new”, and “reinstatement”.	<b>Treasury</b>	Accept.	
1.3.2	Review the EQC Act in light of the High Court ruling on reinstatement of cover following each natural disaster event and other judicial determinations that have had a significant impact on EQC’s work.	<b>Treasury</b>	Accept.	
1.4.1	Ensure that when ministerial directions or reviews are initiated these are clearly signalled, discussed with EQC to ensure that they will advance rather than hinder its response to a major natural disaster, and recorded.	<b>Treasury</b>	Accept.	
1.5.1	Review the EQC cap on residential building cover to establish whether it should reflect at least the current building costs and provide a mechanism for regular adjustment thereafter, as required.	<b>Treasury</b>	Accept.	Some consideration has already been given to lifting the EQC cap on residential building cover by the Treasury as part of its existing work on the affordability and availability of residential property insurance. This will be considered further as part of work to modernise the EQC Act.
1.6.1	Identify changes to provisions in relevant legislation that will require: <ul style="list-style-type: none"> <li>• greater certainty of the completion of works;</li> <li>• assurance of quality; and</li> <li>• future resilience of housing following repairs after a natural disaster.</li> </ul>	<b>MBIE/MHUD</b>	Accept in principle, further consideration on mechanism.	Builders are responsible for ensuring repair work that does not require a building consent complies with the Building Code. Requiring a building consent for repair work would slow down the recovery and have unintended consequences for other repair work. MBIE has provided a significant amount of guidance and training to improve the capability of builders, which has been implemented following the Canterbury earthquakes. MBIE will continue to provide updated industry guidance as new information emerges.
1.6.2	Consider a provision in legislation that allows EQC to work with the homeowner to enable necessary structural but non-natural disaster repairs to be dealt with at the same time as natural disaster repairs (at the homeowner’s cost).	<b>Treasury/EQC</b>	Further consideration needed.	<p>This will be considered by Treasury in consultation with EQC as part of work in 2020-2021 to modernise the EQC Act.</p> <p>This issue does not arise with cash settlements, only EQC-managed repairs, so its significance depends on the settlement model used by EQC.</p>

1.7.1	Consider the need for legislative change to provide greater clarity on EQC's responsibilities to property owners in multi-unit and mixed-use buildings.	<b>Treasury</b>	Accept.	<p>On 23 March 2020, Cabinet agreed to proposed amendments to the EQC Act focused on EQC cover of mixed-use buildings. The amendments intend to ensure that the EQC Act equitably accounts for homeowners' use of, and interest in, common areas in mixed-use buildings.</p> <p>These amendments would substantially address the concerns that led to the Inquiry's recommendations.</p> <p>A Bill is expected to be introduced to the House in the next Parliamentary term.</p>
1.7.2	Provide property owners in multi-unit and mixed-use buildings with certainty, as far as is possible, about their building's status as it relates to EQC cover.	<b>EQC</b>	Accept in principle, further consideration on mechanism.	<p>As part of current negotiations with private insurers, EQC is looking to enter into data sharing arrangements that may enable it to receive this information from insurers.</p> <p>The outcome of these negotiations will inform whether legislative changes are needed to better enable information sharing between EQC and private insurers as part of work to modernise the EQC Act over 2020-21.</p>
2.1.1	Embed into its operational practices a commitment to treating claimants with respect, fairness, dignity and a sensitivity to post-disaster pressures they might be facing and clearly demonstrate how improvements are being made in claimants' experiences.	<b>EQC</b>	Accept.	<p>Improvements in EQC's approach to dealing with claimants have already been made in response to learnings from Canterbury, such as the recent introduction of EQC's 'Customer code' to guide all interactions with customers to be measured in EQC's Statement of Performance Expectations for 2020/2021.</p> <p>EQC will commission an independent review of its operational practices to identify any additional opportunities to improve customer experience by the end of 2020.</p> <p>The implementation of the proposed insurer model, where EQC will enter into agreements with private insurers to act on EQC's behalf, will see EQC and insurers working together to frame communications, leveraging the well-resourced communication channels insurers already have in place. It will also enable EQC to coordinate a more consistent approach to dealing with claimants across the insurance industry.</p> <p>Adopting an insurer model would also mean that claimants deal only with their private insurer i.e. one party in processing their claim. A case management approach, where the claimant only deals with the same staff member or members, will be used where appropriate, depending on the event.</p>
2.1.2	Make claimants aware of their entitlements under the EQC Act and clearly demonstrate how it is working with claimants to deliver on these entitlements.			
2.1.3	Ensure, as far as practicable, that claimants have continuity of staff in dealing with their claims and a process that minimises interaction with multiple parties, whether EQC or a third-party is managing the claim, adopting a "case management" approach wherever possible.			
2.1.4	Seek advice from agencies with experience in trauma and psychosocial services and support, develop clear guidance for its staff on dealing with people affected by disasters and loss and ensure its staff are properly trained and refreshed on the guidance that is developed.			
2.1.5	Develop a policy for how it classifies claimants as vulnerable and how this is applied to ensure the process is made easier for those claimants. This should be based on advice obtained from appropriate agencies on best practice in this area and should be adapted to recognise the unique nature of each event.	<b>EQC</b>	Accept in principle, further consideration on mechanism.	<p>EQC will develop relationships with district health boards across the country in order to ensure EQCs services are part of a coordinated effort. This will require a whole-of-government approach to this including NEMA, MSD, MoH and the social sector. EQC will have a stakeholder engagement plan in place by March 2021.</p> <p>The implementation of the proposed insurer model will enable EQC to integrate the approach to identifying and supporting vulnerable customers across insurers, in line with the whole of government approach.</p>

#	Theme/recommendation	Lead	Response	Next steps
2.1.6	Provide training for its staff in dealing appropriately with people with a range of needs, which respects cultural or language differences.	EQC	Accept.	EQC will commission an independent review of its operational practices to identify any additional opportunities to improve customer experience by March 2021.  The proposed insurer model will see EQC and private insurers agreeing on a consistent approach to customer support, and give EQC an opportunity to leverage the existing channels and resources insurers already have in place for supporting staff.
2.1.7	Ensure resourcing and support for the housing recovery is available from the outset of a response to a major natural disaster to establish services such as navigators or support coordinators to assist affected communities.	Joint NEMA /MBIE	Accept in principle, further consideration on mechanism.	Navigators have been used in a number of responses effectively since the Christchurch Earthquake e.g. Edgumbe flooding response (2017) and the Rotorua flooding response (2018). These were much smaller events but use of Navigators received positive community engagement and supports social and housing recovery.  NEMA is reviewing the National Civil Defence Emergency Management Plan over 2020-21, and will work with MBIE to consider how to incorporate housing recovery into this work. The Ministry of Social Development, Ministry of Housing and Urban Development, Ministry of Health and Te Puni Kōkiri (with Whānau Ora experience) could also provide input regarding navigators.
2.2.1	Commit to sharing information that provides an honest assessment of the post-disaster challenges and shortcomings of its response, including providing regular updates on realistic timeframes and obligations that reflect the best information available.	EQC	Accept.	Improvements in EQC's approach to dealing with claimants have already been made in response to the Canterbury earthquake sequence, such as the recent introduction of EQC's 'Customer code' to guide all interactions with customers to be measured in EQC's Statement of Performance Expectations for 2020/2021.  EQC will commission an independent review of its operational communications practices to identify any additional opportunities to improve customer experience by the end of 2020.  Under the proposed insurer model, EQC will conduct loss modelling and insurers will gather information in the immediate aftermath of an event. The sharing of this information would enable joint analysis of customer groups based on their personal situation and the expected impact on them.
2.2.2	Ensure information is presented in a clear and simple form so that it can be easily understood by audiences who might already be grappling with multiple and complex problems post-disaster.	EQC	Accept.	Improvements in EQC's approach to dealing with claimants have already been made in response to the Canterbury earthquakes, such as the recent introduction of EQC's 'Customer code' to guide all interactions with customers to be measured in EQC's Statement of Performance Expectations for 2020/2021.
2.2.3	Develop a plan for how it will reach large and diverse audiences in a post-disaster environment where normal channels for communication are restricted or unavailable.			Under the proposed insurer model, EQC and insurers will co-design the event communications to ensure an appropriate response is deployed, meaning EQC would be able to leverage the communications experience, channels and resources insurers already have in place.
2.2.4	Build stronger relationships with media outlets so that they understand more clearly EQC's mandate and disaster response, including encouraging the media to access and use EQC's research.			EQC will commission an independent review of its engagement practices to identify any additional opportunities to improve relationships with media by the end of 2020, to further support communications efforts.
2.3.1	Ensure a suitable advisory group or body is in place to provide representative community input into its work and associated responsibilities. EQC must consider the advice and act upon it appropriately. Following a major natural disaster, a specific group or body should be established that reflects communities affected by that event.	EQC/Treasury	Accept.	EQC will consider the most appropriate form for an advisory group or body by the end of 2020, including membership, terms of reference, secretariat services and the whether a Ministerial appointment process would be appropriate.  Treasury will implement any necessary legislative amendments as part of work to modernise the EQC Act.

#	Theme/recommendation	Lead <sup>5</sup>	Response	Next steps
3.1.1	Develop clear guidelines about what an assessment entails and the respective roles of EQC, its staff and contractors, and claimants in the assessment process and ensure this information is widely available.	EQC/Treasury	Accept in principle, further consideration on mechanism.	Improvements in EQC's approach to dealing with claimants have already been made in response to the Canterbury earthquake sequence, such as the recent introduction of EQC's 'Customer code' to guide all interactions with customers to be measured in EQC's Statement of Performance Expectations for 2020/2021.
3.1.2	Provide clarity for homeowners as early as possible after a major natural disaster about who will be managing claims and conducting assessments—whether it is led by EQC, third-party contractors, or private insurers—and its responsibilities to cover the cost of expert reports and professional services.			EQC will commission an independent review of its assessment practices to identify any additional opportunities to improve by the end of 2020.
3.1.3	After a major natural disaster, provide for suitable initial assessment of damage to land and housing in order to develop a comprehensive plan for full assessment that includes a clear process and realistic timeframes for homeowners.			The implementation of the proposed insurer model will mean customers only have one assessment process being undertaken, rather than two. EQC will provide training for insurers to ensure consistent and transparent processes for assessment. Further consideration of EQC's role in response to recommendation <b>1.3.1</b> will enable the development of appropriate guidelines.
3.1.4	In the initial assessment of damage, identify any need for emergency repairs to ensure temporary shelter and essential services, and share this information with other relevant agencies to act on.			
3.1.5	Take the time to complete thorough, consistent and accurate assessment of properties from the outset, carefully documenting progress and involving the homeowner through the process as much as is practical to avoid confusion and minimise disputes.			
3.1.6	Clearly define the expectations of workers involved in the assessment process from the outset of a disaster response and share this information with homeowners.			
3.1.7	Ensure the assessment process is transparent so that claimants have a clear understanding of the process, including how invasive an assessment will be, and access to all relevant information and documentation.			
3.1.8	Work with relevant agencies and experts on engineering solutions for housing and land (both area-wide and for individual properties), including determining the need to retire land from residential use and provide monitoring to ensure that these solutions are applied appropriately.	EQC or other responsible agency TBC	Further consideration needed.	The agency that is given responsibility for a future managed repair programme through implementation of recommendation <b>1.1.3</b> will lead work on engineering solutions for housing and land and their implementation.
3.1.9	Ensure resources are allocated to provide for emergency repairs, as required, to provide at least temporary shelter, including, as needed, heating and services such as electricity, water and sewerage.	Joint MBIE/NEMA	Accept in principle, further consideration on mechanism.	MBIE and NEMA will work with relevant agencies to consider the most appropriate mechanism to implement this recommendation over 2020-21.
#	Theme/recommendation	Lead <sup>6</sup>	Response	Next steps

<sup>5</sup> Note the lead agency has been **bolded**.

<sup>6</sup> Note the lead agency has been **bolded**.

4.1.1	In the event of a “major natural disaster”, according to the formal threshold determined by government, consider whether a managed repair programme is a suitable response to the event, coordinate the response among all responsible agencies and formally document the decision-making process for clarity.	EQC or other responsible agency TBC	Further consideration needed.	The agency that is given responsibility for the post-disaster residential insurance response and future managed repair programme through implementation of recommendations <b>1.1.1</b> and <b>1.1.3</b> will lead work on the thresholds for determining the nature of the insurance response or whether a managed repair programme is needed, and on implementing the response when necessary.
4.1.2	Work with relevant agencies to plan for and ensure adequate temporary accommodation is provided in the aftermath of a major natural disaster.	<b>MBIE</b>	Accept.	MBIE will implement this recommendation as part of its role as the responsible agency for temporary accommodation planning under the National Civil Defence Emergency Management Plan Order 2015.
4.1.3	Develop a plan for engaging a workforce that includes expertise in procurement, project management, contracting and engineering.	EQC or other responsible agency TBC	Accept.	The agency that is given responsibility for a future managed repair programme through implementation of recommendation <b>1.1.3</b> will undertake preparedness planning for that programme, including ensuring appropriate processes are in place that can be scaled up when needed, including engaging an appropriate skilled workforce.
4.1.4	Ensure there are systems developed to identify and discourage fraudulent practices by any party in any repair programme.			
4.2.1	Agree with government from the outset of any repair programme who will be responsible for quality assurance and sign-off, how this will be implemented, including how building standards will be applied and how the homeowner will be involved; and communicate this to the public.			
5.1.1	Develop policies for what related reinstatement or repair costs will be covered by cash settlements and communicate these to claimants.	<b>EQC</b>	Accept.	EQC will commission an independent review of its communications material, policies and practices to identify any additional opportunities to improve communications about cash settlement and associated implications by March 2021.
5.1.2	Make clear to claimants, wherever cash settlements are made, the implications of not using the cash for the purpose for which it is provided, including how this might affect future claims.	<b>EQC</b>	Accept in principle, further consideration on mechanism.	The implementation of the proposed insurer model would see EQC and insurers agree protocols to guide consistent decisions on cash settlements. Clear customer communications would be jointly designed, leveraging the communications channels and resources insurers already have in place.

#	Theme/recommendation	Lead	Response	Next steps
5.1.3	Conduct a detailed assessment of the impacts of cash settlement of claims in the example of the Kaikōura/Hurunui earthquake, including the longer-term impact on quality of the housing stock.	EQC	Accept.	EQC will invite bids for research to undertake an assessment of the impacts of cash settlement in Kaikōura/Hurunui, by March 2021.
5.1.4	Incorporate the findings of the detailed assessment of cash settlement for the Kaikōura/Hurunui earthquake into a larger and ongoing study that tests the advantages and disadvantages of cash settlement, the results of which could be drawn on when deciding the best response to future natural disaster events.	Joint Treasury/EQC/Lead managed repair agency (EQC or other TBC)	Accept	The Treasury will use the results of the research to inform policy decisions, and EQC will use the results to inform operational decisions, regarding recovery options for future national disaster events. The research will also inform work by the agency that is given responsibility for a future managed repair programme through implementation of recommendations <b>1.1.1</b> and <b>1.1.3</b> in decision-making on when a managed repair programme is appropriate.
6.1.1	Ensure that its data and information systems are adequate to fulfil claimants' rights to readily access their full property information held by EQC, in accordance with official information and privacy legislation.	EQC	Accept.	EQC has recently invested significantly in data and information systems, with the initial stage of the project due to be complete by December 2020.  EQC will then review its processes and practices to identify any additional opportunities to improve by March 2021.
6.1.2	Regularly seek advice from the Privacy Commissioner, the Office of the Ombudsman and the Human Rights Commissioner to ensure that its relationships with claimants are fair, reasonable and transparent.	EQC	Accept.	EQC will develop and maintain relationships with the Privacy Commissioner, the Office of the Ombudsman and the Human Rights Commissioner, with progress to be reviewed by December 2020.
6.1.3	Develop and roll out a nationwide online register that provides EQC information on claims specific to individual residential properties. This should be free and simple to access for users such as prospective home buyers and should provide basic information about a claim and its status.	EQC	Accept in principle, further consideration on mechanism.	EQC has recently invested significantly in data and information systems, with the initial stage of the project due to be complete by December 2020.  EQC will then review its processes and practices to identify any additional opportunities to improve by March 2021.
6.2.1	Commit to constant and sufficient investment in data and information systems to guarantee that these can support efficient and reliable day-to-day operations and have sufficient capacity and capability to support processes for managing claims following a large-scale disaster.			
6.2.2	Consider how changes made to the EQC Act in 2019 can be used to enable better information sharing between it and private insurers.	EQC/Treasury	Accept.	EQC, in consultation with Treasury, will consider how it can further utilise changes made to the EQC Act in 2019 regarding information sharing by the end of 2020. Based on this assessment, Treasury will consider whether further legislative change is required as part of implementing recommendation <b>6.3.1</b> as part of work in 2020-2021 to modernise the EQC Act.
6.3.1	Consider a legislative requirement for private insurers to advise EQC at least annually of their residential policyholders' location and property ownership.	Treasury/EQC	Accept in principle, further consideration on mechanism.	This recommendation will be considered as part of work to modernise the EQC Act, during 2020-2021.  The outcomes of work on recommendation <b>6.2.2: Consider how changes made to the EQC Act in 2019 can be used to enable better information sharing between it and private insurers</b> will affect the extent to which further legislative change to support data sharing between EQC and private insurers is necessary.

#	Theme/recommendation	Lead	Response	Next steps
6.4.1	Consider changes to relevant legislation to enable greater availability and use of information about land and its stability to inform land-use decision making and current and prospective property owners through appropriate public information sources.	DIA/LINZ/MfE	Accept in principle, further consideration on mechanism.	Government supports greater availability and use of land information to inform land-use decision making, though further consideration is needed on the mechanism to give effect to it. As the recommendation is broad, it spans a number of central government agency interests and existing work programmes, particularly in the Community Resilience and natural hazards space. Relevant agencies DIA, LINZ and MfE will work together with EQC and the Treasury to implement this recommendation by leveraging opportunities through work already underway over 2021.
6.4.2	Consider granting EQC standing to appear in formal land-use planning hearings.	Treasury/MfE	Accept in principle, further consideration on mechanism.	<p>The Government supports decision-making being informed by EQC knowledge, but the recommendation (as written) may not be the most efficient or effective mechanism for achieving the outcome.</p> <p>The EQC already has the ability to appear in formal land-use planning hearings, through the submission process of RMA Schedule 1 (for plan-making), for notified resource consent applications where a hearing is held.</p> <p>Treasury will work with EQC and in consultation with MfE, DIA, and local government on further policy work regarding the role of EQC in land-use planning over 2021. This will also inform work to modernise the EQC Act in 2020-2021.</p>
6.4.3	Proactively share up-to-date local area information about land and hazards with relevant local authorities.	EQC	Accept in principle, further consideration on mechanism.	<p>EQC has put a greater focus on its research and education function in recent years, including conducting more research to provide EQC with better modelling, and providing local councils invaluable research data around natural hazards, constructions, and land information to inform decision-making. EQC has developed a Resilience Strategy for Natural Hazard Risk Reduction to further support community resilience throughout the country.</p> <p>EQC will work with Treasury and other relevant agencies to consider further opportunities for EQC to provide local government with useful information on land and hazards through work to implement recommendation <b>6.4.1</b>.</p>
7.1.1	Coordinate an ongoing relationship with key partners, who will be necessary to the residential insurance response following the threshold for a “major natural disaster” being met, to establish the roles and responsibilities of each entity. These partners might include The Treasury, the Ministry of Building, Innovation and Employment, the National Emergency Management Agency, Te Puni Kōkiri, Land Information New Zealand and the Ministry of Social Development.	EQC or other responsible agency TBC	Accept.	The agency that is given responsibility for coordinating the residential insurance response and future managed repair programme through implementation of recommendations <b>1.1.1</b> and <b>1.1.3</b> will undertake preparedness planning, including working with key partners to establish roles, responsibilities, and working relationships for future events.
7.1.2	Build significantly improved cooperative relationships with private insurers operating in New Zealand, including ensuring sharing of data that is critical for EQC’s work following a natural disaster.	EQC	Accept.	The implementation of the proposed insurer model will see EQC improving its working relationships and entering into effective data sharing agreements with insurers. See response to recommendation <b>1.7.2</b> .

#	Theme/recommendation	Lead <sup>7</sup>	Response	Next steps
7.2.1	Ensure that the range of research it sponsors encompasses new opportunities in relevant fields and includes disasters other than earthquakes.	EQC	Accept.	EQC's Resilience Strategy for Natural Hazard Risk Reduction 2019-2029 include re-platforming existing capability and expanding the hazard types that can be modelled, and developing improved volcanic and landslide hazard models.  Improved working relationships and information sharing with insurers as a result of implementing proposed insurer model will mean EQC is better able to achieve cross-agency information sharing to disseminate that research among agencies and local government. EQC will work with Treasury and other relevant agencies to consider further opportunities for EQC to provide local government with useful information on land and hazards through work to implement recommendation 6.4.1, and will review its research processes and practices to identify any additional opportunities to improve its research programme by March 2021.
7.2.2	Support social science research that will help it build a greater understanding of the impacts on communities following a major natural disaster.			
7.2.3	Cooperate with the research community in New Zealand and internationally to disseminate as widely as possible the research findings in all fields it supports.			
7.2.4	Commit to and resource the ongoing development of scenario planning and modelling of major natural disasters and their consequences for buildings and land. This should focus on preparing it as far as possible for previously unanticipated disaster outcomes, locations and circumstances unique to different events.			
7.3.1	Consult and work with relevant government and community agencies and private insurers to ensure the most engaging and effective means of educating homeowners about the risks associated with natural disasters and how to minimise damage.			
7.3.2	Promote awareness among homeowners of the opportunity for direct access to purchase disaster-only insurance, as provided for in the EQC Act.	EQC	Further consideration needed.	EQC will further consider the Inquiry's recommendation regarding promoting awareness among homeowners of the opportunity for direct access to purchase disaster-only insurance, as provided for in the EQC Act by March 2021. Promoting direct access may risk encouraging people to not take up standard home insurance and is related to existing Treasury work on the broader residential insurance market.
7.4.1	Develop further and, where necessary and appropriate, formalise relationships with key workforces such as engineers and loss adjusters.	EQC	Accept.	The implementation of the proposed insurer model will see EQC delegating its claims management to private insurers which would enable more efficient and effective use of the limited suitably skilled resources available.  EQC will commission an independent review of its capacity and capability to identify any additional opportunities to improve by March 2021.
7.4.2	Ensure access to a suitably qualified and trained workforce to manage claims and undertake assessments, including retired personnel, in anticipation of a sudden and significant increase in workload.			
7.4.3	Work with its staff to review what is being done to support their wellbeing.	EQC	Accept.	EQC has recently made a number of changes to better support staff wellbeing, the results of which have been reflected in recent staff engagement surveys.  EQC will commission an independent review of its human resources processes and practices to identify any additional opportunities to improve by June 2021.
7.4.4	Build channels for its staff to provide views to management and governance so that people are heard, views and proposals are seriously considered, and, where appropriate, acted upon.			
7.4.5	Evaluate the skills and attributes required of a workforce to engage with claimants following a natural disaster and apply these as criteria in the recruitment process.			
8.1.1	Develop a standing dispute resolution mechanism that is robust, accessible, timely and responsive to	Treasury/MBIE	Accept in principle, further	A standing dispute resolution mechanism will ensure that Government is prepared for disputes arising from future major natural disasters.

<sup>7</sup> Note the lead agency has been **bolded**.

	complainants, drawing on the experience of the Canterbury earthquakes, including the experiences of EQC and claimants; this may include enacting legislation to support such a mechanism.		consideration on mechanism.	Treasury will lead on scoping this work with the support of MBIE as an immediate next step by the end of 2020. Any EQC-specific (as opposed to more generic) mechanisms would likely be included in the work to modernise the EQC Act.
8.1.2	Support and ensure adequate resourcing of a community law service that provides free or low-cost legal advice to assist claimants in the event of dispute with EQC, while ensuring any such service is sustainable and carries forward the important knowledge gained from events such as the Canterbury earthquakes.	MOJ	Accept in principle, further consideration on mechanism.	<p>Government accepts the need for increased funding of Community Law centres, as has been provided for in successive Budgets, and commits to continue addressing this. Further consideration is required regarding the role of Community Law centres in supporting EQC claims. The role of Community Law centres in supporting EQC claims should be considered holistically, within the wider package of dispute resolution services available in these cases.</p> <p>MOJ will work with Treasury, MBIE, and other relevant agencies to undertake further policy work as outlined in response to recommendation <b>8.1.1</b> on the best mechanism for responding to a large influx of insurance-related disputes following a natural disaster. The work will include consideration of the role of Community Law centres in this response. Scoping this work will be completed by the end of 2020.</p>
8.1.3	Consider regulation of insurance advocates or those providing related services to claimants to provide assurance and clarity for claimants and to avoid predatory behaviour.	MBIE/Treasury	Further consideration needed.	<p>The rise of insurance advocates appears to have been driven by the unique scale of the insurance event and a gap in the availability of alternative advice and advocacy services for claimants. Ensuring access to other alternative advice and advocacy services for claimants should mitigate the potential for harm in future.</p> <p>Treasury, MBIE and MOJ will lead further work on developing a robust, accessible, timely and responsive standing dispute resolution mechanism for claimants and ensuring adequate community law service resourcing as identified in Inquiry recommendations <b>8.1.1</b> and <b>8.1.2</b>. Scoping this work will be completed by the end of 2020.</p> <p>Once those recommendations have been progressed, further consideration will be needed as to whether further intervention is needed to regulate insurance advocates.</p>
8.1.4	Ensure that its [EQC] complaints procedures for both staff and claimants are professional and fit for purpose, with periodic independent assessment of their suitability and effectiveness.	EQC	Accept.	<p>Improvements in EQC's overall approach to dealing with claimants have already been made in response to the Canterbury earthquake sequence, such as the recent introduction of EQC's 'Customer code' to guide all interactions with customers to be measured in EQC's Statement of Performance Expectations for 2020/2021.</p> <p>EQC will commission an independent review of its complaints processes to identify any additional opportunities to improve by March 2021.</p> <p>As part of implementing the proposed insurer model, EQC will provide insurers with documented processes, policies and other guidance to facilitate a consistent dispute resolution approach across both parties and leverage the existing dispute resolution channels and resources insurers already have in place.</p> <p>EQC's approach to dealing with complaints will also be informed by work on dispute resolution mechanisms in response to <b>8.1.1</b>.</p>

**Appendix 2: Summary of Government responses to Christchurch and Kaikōura earthquakes to date**

<b>Issue</b>	<b>Government Response</b>
The Residential Advisory Service, established in 2013, was due to run out funding and would close down.	The Government provided funding of \$700,000, which would see the claimants able to access this service until July 2018.
Claims being handled through the Earthquake Commission were taking too long to process, resulting in stress, frustration and expense on the part of claimants.	The Government commissioned a report by the Independent Ministerial Advisor, Christine Stevenson, to investigate the factors behind the delays in claims. This led to a case management system being introduced so homeowners have one person who looks after their claim, and has led to increased claims settlement rates. A Claimant Reference Group was also established as a result of the report's findings.
Years following the 2010 and 2011 Canterbury earthquakes, people were still battling EQC or their insurance companies in order to get their claims resolved.	The Government launched the Canterbury Earthquakes Insurance Tribunal, providing a fair, flexible and cost-effective way for Canterbury homeowners to resolve their outstanding insurance claims relating to the 2010 and 2011 Canterbury earthquakes.
Existing Dispute resolution systems were not resulting in adequate outcomes for claimants.	The Government established the Greater Christchurch Claims Resolution Service, a free to access, impartial, one stop shop service to help homeowners settle their claims.
Home-owners were having difficulty accessing previous Earthquake Commission claims on their homes and time limits for claim notifications were too short.	The Government passed the Earthquake Commission Amendment Act, empowering EQC to share more information about previous claims on a home. It also extended timeframes for claim notifications to up to two years.
No broad inquiry had yet commenced into the Earthquake Commission's role in responding to the Christchurch and Kaikōura earthquakes.	The Government appointed former Governor-General and High Court Judge Dame Silvia Cartwright to conduct a wide-ranging Public Inquiry into the Earthquake Commission. The inquiry was the first of its kind under the Public Inquiries Act 2013.
People purchasing homes in Canterbury were finding that they were still damaged, and repairs would exceed the EQC cap.	The Government introduced policy that enables owners of on-sold over-cap properties in Canterbury to apply for an ex gratia payment from the Government to have their homes repaired, benefitting up to 1,000 homes.