

Reference: 20220252

26 July 2022



Dear 

Thank you for your Official Information Act request, received on 21 June 2022 and subsequently re-scoped on 28 June 2022. You requested the following:

*the specific briefing paper(s) and analysis related to work on monitoring residential property insurance premiums (as per Treasury's email sent on 20 June) including the scope, objectives and the role of EQC in the project.*

You also requested the following:

*ICNZ also requests clarification of whether this is a one-off exercise or an ongoing data collection.*

### Information being released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	16 March 2021	Emails: Re Discussion on the ways to monitor evaluate changes in the EQC Cap	Release in full
2.	8 June 2021	Emails: RE monitoring insurance prices - funding	Release in full
3.	1 July 2021	Emails: Advice on monitoring	Release in full (except phone numbers)
4.	11 August 2021	Treasury Report: Arrangements for monitoring insurance uptake and prices following the Earthquake Commission Cap increase (T2021/1627)	Release in part

5.	27 October 2021	Emails: RE Meeting to discuss monitoring work	Release in full (except phone numbers)
6.	18 November 2021	Email: Outline for today's session Attachment: EQC background paper for workshop	Release in full (except phone numbers)
7.	13 December 2021	Emails: RE Insurance monitoring	Release in part
8.	1 March 2022	(1) AoG Consultancy Services Order (CSO); and (2) Finity Consulting Support Proposal – Insurance Price Monitoring.	Release in part
9.	17 June 2022	Emails: RE Insurance availability and price monitoring	Release in full (except phone numbers)
10.	20 June 2022	Email: FW Property report Attachment: Finity slides re EQC Monitoring Profile Selections Update	Release in part
11.	21 June 2022	Email: Body corporates	Release in full (except phone numbers)

I have decided to release the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- names of contractors, under section 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons,
- commercially sensitive information, under section 9(2)(b)(i) – to protect information where the making available of the information would disclose a trade secret,
- commercially sensitive information, under section 9(2)(b)(ii) – to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information,
- certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions,
- contact details of officials, under section 9(2)(g)(ii) – to maintain the effective conduct of public affairs through protecting Ministers, members of government organisations, officers and employees from improper pressure or harassment,
- commercially sensitive information, under section 9(2)(i) – to enable the Crown to carry out commercial activities without prejudice or disadvantage, and

- direct dial phone numbers of officials, under section 9(2)(k) – to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury’s own website.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

### **Information withheld**

I have also included in annex 1 a summary of a document - *Finity Insurance Price Monitoring Proposal to EQC, 1 March 2022*. We considered that this document was in scope of the OIA but we have not released the full document because it would unreasonably prejudice the commercial position of the person who supplied or who is the subject of the information (section 9(2)(b)(ii)). We consider the public interest can be met with sharing the substantive parts of this document as a summary.

### **Requested clarification**

You also asked us to clarify whether this is a one-off exercise or an ongoing data collection. I confirm that the monitoring of insurance pricing and uptake is an ongoing exercise. The insights from data we collect combined with other insights regarding developments in residential property insurance markets will be passed on to the Minister Responsible for Toka Tū Ake EQC. We intend to engage with ICNZ and insurers to test any insights we are seeing.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Mary Llewellyn-Fowler  
**Acting Manager, Financial Markets**

# OIA 20220252

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**From:** Siobhan Duncan [TSY]  
**Sent:** Tuesday, 16 March 2021 5:27 pm  
**To:** Michala Beacham; Alastair Shelton; Andrea Gluyas  
**Subject:** RE: Discussion on the ways to monitor/ evaluate changes in the EQC Cap

Hi Michala,

Thanks for setting this up. I will join by teams. Joanna just asked that I go to the Tower meeting at 10am tomorrow. I think I should be back with plenty of time for this but there is a risk I will be late if that goes over time.

Here are the thoughts I have so far – really keen to test them with you tomorrow.

### **Options for monitoring a Cap increase**

In order to assess the effectiveness of an increase to the EQC cap, the Treasury needs to understand:

- How insurance premiums have changed for different regions
- How the availability of property insurance (eg the amount of insurers willing to insure a given property) has changed for different regions
- How the cap has influenced the points above compared to other factors such as inflation and a change in risks

In order to achieve this, we would need a sample/ set of insurance data to establish a baseline for before the cap. We could use that same sample/ set of data to assess how the policy has impacted price and availability.

Other factors outside of the EQC cap such as reinsurance costs, inflation, a change in risks can affect the price of insurance premiums. We want to understand specifically what impact an increase in the EQC cap has had on prices so that we can understand how effective the change was in improving affordability and availability of residential property insurance.

There are limitations around the availability of insurance data for policy makers and regulators. For MUBs, the Treasury currently only has limited anecdotal information.

The Treasury does not currently have comprehensive information about the uptake, price, availability, and level of underinsurance. Statistics New Zealand collects some data on insurance prices through the Household economic survey, however it is at a general level and may not help to answer the questions set out above.

Options for monitoring include:

- exploring what data/ monitoring options exists with stats NZ and Treasury's analytics and insights team
- putting price/ availability questions in through an existing survey process
- Using EQC's research programme to investigate the impact of a cap increase
- commissioning an evaluation of price impacts through a tender process

We can also engage with stakeholders, including insurers, consumer groups and property owner representatives, following any cap increase to understand from their perspective the impact that the policy has had. We will use

existing channels such as the Council of Financial Regulators, which the Treasury sits on, to monitor and discuss any issues as they arise.

-----Original Appointment-----

**From:** Michala Beacham <MBeacham@eqc.govt.nz>

**Sent:** Monday, 15 March 2021 3:53 pm

**To:** Michala Beacham; Alastair Shelton; Andrea Gluyas; Siobhan Duncan [TSY]

**Subject:** Discussion on the ways to monitor/ evaluate changes in the EQC Cap

**When:** Wednesday, 17 March 2021 11:00 am-11:30 am (UTC+12:00) Auckland, Wellington.

**Where:** Microsoft Teams Meeting; WLG LVL 11 Otago Room x6

Kia ora Siobhan

Following the brief discussion this afternoon where you were hoping to get some insights into how to monitor/ evaluate changes in the EQC Cap, we thought we would suggest this quick catch up to get a better sense of what you are looking to achieve and where we might be able to help you.

Hopefully this time works for you. If not, let me know.

M

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**From:** Siobhan Duncan [TSY]  
**Sent:** Tuesday, 8 June 2021 11:09 am  
**To:** Michala Beacham; Mary Llewellyn-Fowler [TSY]; Craig Fookes [TSY]  
**Subject:** RE: monitoring insurance prices - funding

Hi Michala,

Thanks very much for agreeing to meet today. I have drafted up an agenda to help our discussion. Feel free to add anything.

Kind regards,  
Siobhan

**1. Update on what we are trying to achieve**

- Broadly this proposal involves establishing a baseline to understand insurance prices and then assessing how this changes over time compared to the change in risk. This will enable us to see what impact an increase in the cap had on insurance availability and affordability.
- This baseline will inform future advice on the effectiveness of the EQC scheme generally and within the next five yearly review of the levies and cap.
- We estimate it would cost between s 9(2)(b)(ii) next year, then would have lower ongoing costs in future years

**2. Roles and Responsibilities**

**Treasury**

- As a policy agency, the Treasury is responsible for supporting Cabinet to achieve their objectives that property insurance is available and affordable. A solid understanding of insurance price trends will enable us to perform this role.

**EQC**

The EQC Act will include a purpose statement that describes the outcomes the Act is seeking to achieve, which are to:

- reduce the impact of natural disaster damage by encouraging resilience and by contributing to the timely replacement or reinstatement of residential land and buildings;
- encourage the uptake and availability of catastrophe insurance cover for residential buildings;

The EQ Act will amend EQCs functions:

- to expand EQC's current research and public education functions to clarify that EQC has the flexibility to contribute knowledge or expertise to improve community resilience and risk management, respond to natural disasters, or contribute to other whole-of-government initiatives that are consistent with its statutory objectives
- introduce a new function to recognise the financial analysis, expertise, or information that EQC may share with the Minister Responsible for the EQC, the Treasury, or any other agency for inclusion in advice provided to the government;

As the most EQC insurance is linked to a private insurer, the price of insurance will have a strong impact on their ability to maintain continued uptake.

### 3. Funding

- Initially Treasury was planning to fund the monitoring of insurance prices as part of our general insurance monitoring function. However it is unlikely that Treasury will be able to meet these costs for this purpose alone.
- We understand EQC has a large budget for funding research (around \$20 million a year) and whilst they have their own process for allocating this, there is a strong benefit to EQC from having a comprehensive understanding of how insurers are pricing risk
- While EQC research traditionally has focussed on understanding natural disaster risk/science, the Act encourages more investment to improve community resilience (including by ensuring the scheme supports private markets)
- As such, there will be stronger incentive to monitor insurance uptake and availability in making decisions or determining the effectiveness of the EQC scheme – suggesting the EQC may have an interest in monitoring its impact on market pricing If we cannot get funding from the EQC, the Cabinet paper should seek funding from the BBC. Waiting until Budget 2022 is too late as we need to start work shortly after a cap increase.

### 4. Timing/ Process

- Discussion on EQCs process for accessing funding for research and how this might line up with the monitoring process

### 5. Questions for discussion

- Does the monitoring of insurance prices relate to EQCs new role and functions under the Act? Who is best placed to lead this work?
- What are the main benefits/ trade-offs of investigating EQC funding What are pros/cons of the alternative option for funding

### 6. Next steps

-----Original Appointment-----

**From:** Siobhan Duncan [TSY]

**Sent:** Thursday, 3 June 2021 5:02 pm

**To:** Siobhan Duncan [TSY]; Michala Beacham; Mary Llewellyn-Fowler [TSY]; Craig Fookes [TSY]; Michala Beacham

**Subject:** monitoring insurance prices - funding

**When:** Tuesday, 8 June 2021 3:15 pm-4:15 pm (UTC+12:00) Auckland, Wellington.

**Where:** +TSY 3.23 Pītau a manaia -6P (EXT)

Hi Michala,

Thanks for the discussion today about funding for the monitoring of the EQC Cap. As discussed, we are keen to establish a source of funding before the Cabinet paper is lodged.

I am setting up this meeting so we can explore the possibility of accessing funding from EQC's research budget. As you flagged, there is a process for accessing this and it may be challenging to line the timing up and there are also questions about how it relates to EQCs functions to consider.

Our preference is to go to market quite soon after the cap increase is announced so we can establish a price baseline before insurers start pricing based on a new cap.

Below is some more information about the work and the next steps.

**Context**

- Cabinet's objective is that property insurance is available and affordable.
- Insurers have been applying more granular risk pricing meaning that some properties face high prices.
- Cabinet is considering an increase to the EQC Cap

### **Problem**

The Treasury has limited information about property insurance trends. There is no public data source (via EQC or otherwise) that would enable us to determine whether a given property is insured, and how much that insurance costs. Our information is based on a combination of pricing information provided in confidence by insurers, information about Wellington multi-unit buildings (MUBs, e.g. apartment buildings) provided by property managers, anecdotal evidence from property owners, analysis of price changes following the 2019 increase of the cap, Statistics New Zealand data, and a Treasury survey on insurance uptake commissioned in late 2019.

### **Options for monitoring a Cap increase**

In order to assess the effectiveness of an increase to the EQC cap, the Treasury needs to understand:

- How insurance premiums have changed for different regions
- How the availability of property insurance (eg the amount of insurers willing to insure a given property) has changed for different regions
- How the cap has influenced the points above compared to other factors such as inflation and a change in risks

In order to achieve this, we would need a sample/ set of insurance data to establish a baseline for before the cap.

We could use that same sample/ set of data to assess how the policy has impacted price and availability.

Other factors outside of the EQC cap such as reinsurance costs, inflation, a change in risks can affect the price of insurance premiums. We want to understand specifically what impact an increase in the EQC cap has had on prices so that we can understand how effective the change was in improving affordability and availability of residential property insurance.

We can also engage with stakeholders, including insurers, consumer groups and property owner representatives, following any cap increase to understand from their perspective the impact that the policy has had. We will use existing channels such as the Council of Financial Regulators, which the Treasury sits on, to monitor and discuss any issues as they arise.

### **Approach to monitoring**

I have discussed the best approach to setting up a monitoring arrangement with the commercial performance team at Treasury and with the actuaries at EQC. They suggested that economists (eg PWC, BERL, MJW, Finity) could measure insurance prices, then an actuarial could tell you the change in risk and together these would help explain the drivers of price.

### **Wider benefits of doing this work**

As more information about risks becomes available, trends towards granular pricing are likely to continue. It is possible that perils such as flood and volcanoes also go through a period of new pricing based on risk. Having a good understanding about pricing trends will have wider benefits for general policy and could contribute to our ability to support our financial resilience.

Another benefit of understanding insurance prices vs risk is it will support Treasury's understanding of how competitive the insurance market is. This can inform advice about whether a competition study in the insurance industry is warranted.

### **Price**

The people I spoke to suggested that based on their experience, establishing a baseline of the info we want could cost around s 9(2)(b)(ii). While the initial cost of establishing this information baseline is high, once the initial work has been completed, the costs to maintain the information in future years is likely to be lower.

### Next steps

If we have this budget approved, the next step is to work with the procurement team and talk to several firms to get a better sense of how they might scope this work and specific costs. Following that, we can go to market through a standard procurement process.

### Implications if no funding is set aside

s9(2)(g)(i). If the Treasury is not able to assess how insurers have passed on costs to their customers, then it diminishes the Minister's ability to credibly engage with insurers following a cap increase.

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**From:** Michala Beacham  
**Sent:** Thursday, 1 July 2021 10:44 am  
**To:** Siobhan Duncan [TSY]  
**Cc:** Andrea Gluyas; Dasha Leonova [TSY]; Lars Piepke [TSY]; Alastair Shelton; Craig Fookes [TSY]; Helen McDonald [TSY]; Steve Cantwell [TSY]  
**Subject:** RE: for comment by 9.30am Thursday- advice on monitoring

Kia ora Siobhan,

Thanks for sharing this draft with us. We are pleased to hear that we can a bit more time for the paper as we feel that the paper needs to be fleshed out a bit more in order to provide what Joanna is asking for, particularly in regard to the first point to clarify what is proposed to be monitored, what information would be collected and how it would be analysed and used. We would be happy to meet early next week to work through any outstanding matters – after which we would like to get an updated version of the paper to Sid for his review and approval.

We've had some discussion internally, and our view of what we think can be collected is as follows:

- s 9(2)(b)(ii)
- 
- We understand that there are consulting firms who work across insurers to provide information on market pricing (and have direct access to private insurers' pricing systems in a way that EQC does not, and will not, have to support this work). Given the existence of this modelling/ monitoring, we anticipate that an actuarial firm would be able to develop a similar service for Treasury/ EQC to support monitoring of changes in the EQC cap.
- The approach that is likely to be taken (subject to development with the firm that is ultimately contracted to conduct the work) would be to track a representative portfolio of properties, and monitor them regularly (e.g. quarterly) over an extended period of time. It could be useful to note as well that this could be cut different ways, to look at specific sub-groups (e.g. for MUBs, or for properties in flood zones etc) and compare to the nationally representative sample.
- It would also be useful to note in the paper that there might be other options for collecting information that is not readily available but would provide valuable additional insight over the long term (e.g. additional insurance cost data could be collected through Stats NZ surveys – such as the Household Economic Survey)

The paper would also benefit from noting the limits of being able to infer the impact of cap change – it will be difficult to attribute changes in uptake/ availability to just the cap, independent of all the other external factors that will effect insurance prices. For example, we know that with the last cap increase, there was a reduction in private insurance premiums, but this wasn't a 'one-for-one' change matched to the increase in the EQC Cap – other factors were at play that influenced pricing but we can't unpick private insurers pricing models to know exactly what. You may want to signal that there would be a need for some kind of methodology to make an estimate of this, while acknowledging the likely limitations of this.

We agree with the comments that Craig made in his feedback about not overpromising what can be delivered here – and noting that a more comprehensive understanding of insurance pricing would need something more significant, like a market study. There may also be opportunities to layer the data and insights with other sources (eg RBNZ). This is likely something that the Treasury should explore.

We think that there needs to be a bit more context about respective roles here. EQC's role is primarily one of data collection and initial analysis of factors relevant to EQC, but the paper should be clear on that the analysis and advice that gets drawn from that data sits primarily with Treasury. Spelling out that additional role beyond the data collection is necessary.

And finally, we have been investigating a bit further to get a sense of price for this – both for an upfront baseline piece of work and for an ongoing monitoring cost. We're aware that the s 9(2)(b)(ii) is a rough one, so we think it would be useful to get a better sense of this is we can.

On the matter of the LOE, I think it would be good to discuss this point at the meeting next week.

I am on leave tomorrow, so if you have any questions on the above can you please contact Alastair Shelton in the first instance (including to set up the time to chat next week). Andrea Gluyas is happy to come to that meeting too.

Ngā mihi nui

Michala

**Michala Beacham** | Head of Policy and Government Relations | Strategy Group

**Earthquake Commission** | *Kōmihana Rūwhenua*

M: s 9(2)(g)(ii)

[www.eqc.govt.nz](http://www.eqc.govt.nz)

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**From:** Siobhan Duncan [TSY] <Siobhan.Duncan@treasury.govt.nz>

**Sent:** 01 July 2021 09:03

**To:** Michala Beacham <MBeacham@eqc.govt.nz>; Alastair Shelton <AShelton@eqc.govt.nz>; Fiona Berry <FBerry@eqc.govt.nz>; Lars Piepke [TSY] <Lars.Piepke@treasury.govt.nz>; Dasha Leonova [TSY] <Dasha.Leonova@treasury.govt.nz>; Craig Fookes [TSY] <Craig.Fookes@treasury.govt.nz>; Steve Cantwell [TSY] <Steve.Cantwell@treasury.govt.nz>; Helen McDonald [TSY] <Helen.McDonald@treasury.govt.nz>

**Subject:** RE: for comment by 9.30am Thursday- advice on monitoring

CAUTION: This email originated from outside of the organisation. Do not click links or open attachments unless you recognise the sender and know the content is safe.

Hi everyone,

Joanna confirmed that this paper does not need to go this week so we can have some time to refine it. I'm working through the comments that I have received from Treasury. EQC I am happy to set up a teams meeting if you want to talk about the next steps for this paper.

Cheers,  
Siobhan

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**From:** Siobhan Duncan [TSY]

**Sent:** Wednesday, 30 June 2021 4:15 pm

**To:** Michala Beacham <[MBeacham@eqc.govt.nz](mailto:MBeacham@eqc.govt.nz)>; Alastair Shelton <[AShelton@eqc.govt.nz](mailto:AShelton@eqc.govt.nz)>; Fiona Berry

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**Subject:** RE: for comment by 9.30am Thursday- advice on monitoring

Hi there,

I'm sharing some feedback from I got from Craig as EQC may have views on some of it:

- The report could note that this work gives effect to the recent Cabinet decisions related to the purpose of the scheme. The Cab paper identified insurance availability as a purpose of the New Act (refer text cut below). Price is a key component of this. Related are the new EQC's objectives to promote community resilience and the requirement that the Minister will be required to consider insurance market outcomes when setting levies (refer the principles). This all requires information.
- That said, the report could perhaps note the growing complexity around insurance pricing with respect to EQ and now flood risk. I think this highlights why this work is needed. While we could previously rely on general public information under community pricing, a more structured approach to monitoring will be required with more granular private insurance pricing if we are to understand the overall impact of the scheme or performance of insurance markets more generally.
- There is a para that notes that we cannot compel insurers. This could perhaps merit a bit more explanation. Insurance pricing is very commercially (s9(2)(g)(i) ) sensitive. While we can consult ICNZ or get indicative online quotes– I think there are limits on what they will want to share (beyond what is necessary to influence the narrative). This work still has value, but Minister could be given a sense of the potential limitations and challenges, which will/may be considered or faced as work gets underway.
- Associated with the desire not to overpromise - could we perhaps note that the only way to get a really clear sense of competitiveness of insurance pricing will be to conduct a market study, which provides the Com-Com powers of inquiry (i.e. they can require testimony and documents).
- Finally, I think there is distinction between the EQC's work (is the scheme effective) and the wider insurance monitoring work that the Treasury FM team lead. The EQC data/monitoring is an input, but there will be wider issues that fall outside this. Up to you as to whether this is a distinction worth making.

2 agreed that the EQC Act include a purpose statement that describes the outcomes the Act is seeking to achieve, which are to:

2.1 reduce the impact of natural disaster damage by encouraging resilience and by contributing to the timely replacement or reinstatement of residential land and buildings;

2.2 encourage the uptake and availability of catastrophe insurance cover for residential buildings;

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**From:** Siobhan Duncan [TSY]

**Sent:** Tuesday, 29 June 2021 2:25 pm

**To:** Michala Beacham <[MBeacham@eqc.govt.nz](mailto:MBeacham@eqc.govt.nz)>; Alastair Shelton <[AShelton@eqc.govt.nz](mailto:AShelton@eqc.govt.nz)>; Fiona Berry <[FBerry@eqc.govt.nz](mailto:FBerry@eqc.govt.nz)>; Lars Piepke [TSY] <[Lars.Piepke@treasury.govt.nz](mailto:Lars.Piepke@treasury.govt.nz)>; Dasha Leonova [TSY] <[Dasha.Leonova@treasury.govt.nz](mailto:Dasha.Leonova@treasury.govt.nz)>; Craig Fookes [TSY] <[Craig.Fookes@treasury.govt.nz](mailto:Craig.Fookes@treasury.govt.nz)>; Steve Cantwell [TSY] <[Steve.Cantwell@treasury.govt.nz](mailto:Steve.Cantwell@treasury.govt.nz)>; Helen McDonald [TSY] <[Helen.McDonald@treasury.govt.nz](mailto:Helen.McDonald@treasury.govt.nz)>

**Subject:** RE: for comment by 9.30am Thursday- advice on monitoring

Hi everyone,

Joanna let us know that the Minister has asked for a TR outlining:

- What this work would cover – what are we going to monitor and what information is needed to do this?
- Who should pay for/undertake the monitoring – if not TSY why not?
- What are the risks for EQC undertaking this monitoring? Does EQC have sufficient information gathering powers (including those in the new Bill) to obtain the appropriate information required for this work?
- Who would actually undertake this work – if a third party how would we ensure they have the power to gather the information.

I have updated the TR I sent around last week base on this request. Joanna asked that we send it by Thursday – so if possible – could I please get any comments by 9.30 am on Thursday. If this timing is not possible – can you please let me know and I can talk to Joanna who set the deadline. I am keen to get the TR out in time for the Minister to read it before he goes to DEV on 7 July.

I have put in some text about EQC powers to collect info – this is not something that we have discussed recently. I included it to address the commissioning but want to make sure that EQC is comfortable with the advice.

I also added in a rec that we update the Ministers talking points.

Happy to set up a meeting if anyone has any concerns and apologies for the short turn around.

Cheers,  
Siobhan

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**From:** Michala Beacham <[MBeacham@eqc.govt.nz](mailto:MBeacham@eqc.govt.nz)>

**Sent:** Thursday, 24 June 2021 10:53 am

**To:** Siobhan Duncan [TSY] <[Siobhan.Duncan@treasury.govt.nz](mailto:Siobhan.Duncan@treasury.govt.nz)>; Alastair Shelton <[AShelton@eqc.govt.nz](mailto:AShelton@eqc.govt.nz)>; Fiona Berry <[FBerry@eqc.govt.nz](mailto:FBerry@eqc.govt.nz)>; Lars Piepke [TSY] <[Lars.Piepke@treasury.govt.nz](mailto:Lars.Piepke@treasury.govt.nz)>; Dasha Leonova [TSY] <[Dasha.Leonova@treasury.govt.nz](mailto:Dasha.Leonova@treasury.govt.nz)>; Craig Fookes [TSY] <[Craig.Fookes@treasury.govt.nz](mailto:Craig.Fookes@treasury.govt.nz)>; Steve Cantwell [TSY] <[Steve.Cantwell@treasury.govt.nz](mailto:Steve.Cantwell@treasury.govt.nz)>; Helen McDonald [TSY] <[Helen.McDonald@treasury.govt.nz](mailto:Helen.McDonald@treasury.govt.nz)>

**Subject:** RE: for comment by 1.30pm tomorrow - advice on monitoring

Kia ora Siobhan

Thanks for sending the draft through for comment. Unfortunately, we are not in a position to provide comments by the proposed timeframe due to a number of other commitments the team is managing over the next couple days.

My understanding from Joanna as that this work was requested but it was not an immediate priority for this week given the discussion has been decoupled from the Cabinet paper. On this basis, we are more than happy to pick this discussion up (including providing any feedback) early next week.

Ngā mihi nui

Michala

**Michala Beacham** | Head of Policy and Government Relations | Strategy Group

**Earthquake Commission** | *Kōmihana Rūwhenua*

M: [s 9\(2\)\(g\)\(ii\)](tel:09-480-0900)

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**From:** Siobhan Duncan [TSY] <[Siobhan.Duncan@treasury.govt.nz](mailto:Siobhan.Duncan@treasury.govt.nz)>

**Sent:** 23 June 2021 16:59

**To:** Michala Beacham <[MBeacham@eqc.govt.nz](mailto:MBeacham@eqc.govt.nz)>; Alastair Shelton <[AShelton@eqc.govt.nz](mailto:AShelton@eqc.govt.nz)>; Fiona Berry

<[FBerry@eqc.govt.nz](mailto:FBerry@eqc.govt.nz)>; Lars Piepke [TSY] <[Lars.Piepke@treasury.govt.nz](mailto:Lars.Piepke@treasury.govt.nz)>; Dasha Leonova [TSY] <[Dasha.Leonova@treasury.govt.nz](mailto:Dasha.Leonova@treasury.govt.nz)>; Craig Fookes [TSY] <[Craig.Fookes@treasury.govt.nz](mailto:Craig.Fookes@treasury.govt.nz)>; Steve Cantwell [TSY] <[Steve.Cantwell@treasury.govt.nz](mailto:Steve.Cantwell@treasury.govt.nz)>; Helen McDonald [TSY] <[Helen.McDonald@treasury.govt.nz](mailto:Helen.McDonald@treasury.govt.nz)>  
**Subject:** for comment by 1.30pm tomorrow - advice on monitoring

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Hi Michala, Alastair and Fiona

Here is my first cut of a 3 page TR. If we want the office to reflect any of this in the cabinet paper, we will need to send this advice over by Friday so can I please have any comments by 1.30 tomorrow.

I am sharing this with Treasury and EQC at the same time. If you have substantial comments, it may be better to set up a teams call.

Cheers,  
Siobhan

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**From:** Siobhan Duncan [TSY]  
**Sent:** Tuesday, 22 June 2021 3:20 pm  
**To:** 'Michala Beacham' <[MBeacham@eqc.govt.nz](mailto:MBeacham@eqc.govt.nz)>  
**Cc:** Lars Piepke [TSY] <[Lars.Piepke@treasury.govt.nz](mailto:Lars.Piepke@treasury.govt.nz)>; Dasha Leonova [TSY] <[Dasha.Leonova@treasury.govt.nz](mailto:Dasha.Leonova@treasury.govt.nz)>; 'Tina Mitchell' <[tmitchell2@eqc.govt.nz](mailto:tmitchell2@eqc.govt.nz)>; 'Sid Miller' <[sidmiller@eqc.govt.nz](mailto:sidmiller@eqc.govt.nz)>  
**Subject:** RE: Update on monitoring of insurance prices and cab paper

Hi everyone,

Joanna let me know today that she does not want to new monitoring content to be added to the cab paper as the Minister is very close to signing it out for Ministerial consultation. They do not want the paper to get held up based on giving the Minister new info about the monitoring options.

She suggested we provide some advice on the monitoring arrangements. This could to the MoF and the EQC Minister. She said this could cover the LoE option, we could also provide some text for the Cab paper before it is lodged.

I am happy to take the lead on this advice and can circulate an outline for people to agree. If anyone has views on what the advice should/ shouldn't include feel free to pass that on to me.

Kind regards,  
Siobhan

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**From:** Siobhan Duncan [TSY]  
**Sent:** Tuesday, 22 June 2021 11:07 am  
**To:** Michala Beacham <[MBeacham@eqc.govt.nz](mailto:MBeacham@eqc.govt.nz)>  
**Cc:** Lars Piepke [TSY] <[Lars.Piepke@treasury.govt.nz](mailto:Lars.Piepke@treasury.govt.nz)>; Dasha Leonova [TSY] <[Dasha.Leonova@treasury.govt.nz](mailto:Dasha.Leonova@treasury.govt.nz)>; Tina Mitchell <[tmitchell2@eqc.govt.nz](mailto:tmitchell2@eqc.govt.nz)>; Sid Miller <[sidmiller@eqc.govt.nz](mailto:sidmiller@eqc.govt.nz)>  
**Subject:** FW: Update on monitoring of insurance prices and cab paper

Hi Michala,

Thanks for your feedback. We are also keen to reflect the shared responsibility of the monitoring. Does the below text better reflect this?

#### Body

75. The Treasury and EQC will establish a process to monitor the impact that a cap increase has had on insurance prices and uptake, and report back to me and to the Minister of Finance with their findings. I intend to set out in my letter of expectations to EQC an expectation that they collect information to support this assessment. If there is no evidence of pass through of the higher EQC cap (i.e. downward pressure on insurance premiums in higher risk areas and aggregate national private premiums), I would be concerned that there is a lack of competition in the residential property insurance market. This would lead me to consider options such as a competition study into the residential property insurance sector.

#### Recs

**7. note** that a cap increase to \$300,000 (plus GST), in combination with the proposed EQC premium rate of \$0.16 per \$100 of EQC building cover, would mean each residential property will pay up to \$207 (including GST) extra per annum in EQC levies;

**8. note** that the Bill to modernise the EQC Act will establish a five-yearly review of the cap and other monitoring measures, which will allow reconsideration of whether the level of cap is appropriate based on house cost inflation, and evidence of how the cap is impacting insurance prices;

**9. note** that the Treasury and EQC will establish a process to monitor the impact that a cap increase has had on insurance prices.

**10. note** that the Minister Responsible for the EQC will set out in their letter of expectations to EQC an expectation that they collect information to support an evaluation on the impact of the cap increase on insurance prices and uptake

**10. note** the Minister Responsible for the Earthquake Commission will bring any proposal for a new name for EQC to Cabinet for consideration in September;

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**From:** Michala Beacham <[MBeacham@eqc.govt.nz](mailto:MBeacham@eqc.govt.nz)>

**Sent:** Monday, 21 June 2021 2:30 pm

**To:** Siobhan Duncan [TSY] <[Siobhan.Duncan@treasury.govt.nz](mailto:Siobhan.Duncan@treasury.govt.nz)>

**Cc:** Lars Piepke [TSY] <[Lars.Piepke@treasury.govt.nz](mailto:Lars.Piepke@treasury.govt.nz)>; Dasha Leonova [TSY] <[Dasha.Leonova@treasury.govt.nz](mailto:Dasha.Leonova@treasury.govt.nz)>;

Tina Mitchell <[tmitchell2@eqc.govt.nz](mailto:tmitchell2@eqc.govt.nz)>; Sid Miller <[sidmiller@eqc.govt.nz](mailto:sidmiller@eqc.govt.nz)>

**Subject:** RE: Update on monitoring of insurance prices and cab paper

**Importance:** High

Kia ora Siobhan

Thanks for sending through the revised commentary on the monitoring and evaluation of the any EQC cap increase.

I have discussed the proposed changes with Sid and EQC has the following feedback:

- EQC is happy to support, including financially, the collection of information that supports monitoring and evaluation of any changes in the EQC cap, including uptake.

- We would distinguish this ‘collection’ role from the broader role of monitoring, including advising the Minister REQC (and others) on the wider question of changes to insurance premiums and competition in the insurance market (both areas where the Treasury, RBNZ etc would have a monitoring and advisory role).
- On this basis, the updated commentary in the draft Cabinet paper potentially overstates EQC’s role and understates that of the Treasury (and other regulatory bodies).
- In supporting this work, we are keen to reflect two points: that EQC has the proper authority to undertake the work requested, and to clarify the role EQC plays, alongside other agencies, to assess the impact of the policy proposals to increase in the EQC Cap. Our rationale for this is to: ensure that the insurers we partner with are clear about what this work is and that we are careful not to suggest that EQC is taking on a role that could be seen to be ‘regulatory’ in nature; and, to ensure that EQC is not given a level of responsibility that would be inappropriate for us to take on (ie the full gambit of what could come under the umbrella of ‘monitoring the impact of the cap increase on insurance prices and uptake) given our statutory function and form.
- As such, the Cabinet paper would need to be amended along the following lines (in both the body and recommendations of the paper):
  - EQC will take on the role of collecting information that supports monitoring and evaluation of any changes in the EQC cap, including uptake. This role will be reflected in the next (or an updated?) LOE.
  - The Treasury (along with any other relevant agencies) will do x, y and z (include a description of these agencies role and responsibilities).
- The paper would also benefit from noting that both TSY and EQC will work together to govern this work, given our related roles and responsibilities. This would cement the point about ‘monitoring’ not being a single entity’s job.

Ngā mihi nui

Michala

**Michala Beacham** | Head of Policy and Government Relations | Strategy Group

**Earthquake Commission** | *Kōmihana Rūwhenua*

M: s 9(2)(g)(ii)

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**From:** Siobhan Duncan [TSY] <[Siobhan.Duncan@treasury.govt.nz](mailto:Siobhan.Duncan@treasury.govt.nz)>

**Sent:** 21 June 2021 12:17

**To:** Michala Beacham <[MBeacham@eqc.govt.nz](mailto:MBeacham@eqc.govt.nz)>

**Cc:** Lars Piepke [TSY] <[Lars.Piepke@treasury.govt.nz](mailto:Lars.Piepke@treasury.govt.nz)>; Dasha Leonova [TSY] <[Dasha.Leonova@treasury.govt.nz](mailto:Dasha.Leonova@treasury.govt.nz)>

**Subject:** Update on monitoring of insurance prices and cab paper

CAUTION: This email originated from outside of the organisation. Do not click links or open attachments unless you recognise the sender and know the content is safe.

Hi Michala,

I understand that Lars spoke to Sid on Thursday and EQC is now open to funding the full amount of the monitoring of insurance prices following a cap increase. I also heard that Sid is keen for some of this to be reflected in the

Cabinet paper to give everyone clarity over what is expected. Based on my understanding, I have drafted some content for the Cabinet paper body and recs. Does this text work for you, and do you have any feedback on it? I am discussing the Cabinet paper with Joanna this afternoon and I could pass it on to her if you are happy but I can hold off if you need more time to circulate it with your colleagues.

The yellow text is the additions that I am suggesting.

## Body

75. The Treasury and EQC will establish a process to monitor the impact that a cap increase has had on insurance prices. I intend to set out in my letter of expectations to EQC an expectation that they collect information to support an assessment of impact of the cap increase on insurance prices and uptake. If there is no evidence of pass through of the higher EQC cap (i.e. downward pressure on insurance premiums in higher risk areas and aggregate national private premiums), I would be concerned that there is a lack of competition in the residential property insurance market. This would lead me to consider options such as a competition study into the residential property insurance sector.

## Recs

**7. note** that a cap increase to \$300,000 (plus GST), in combination with the proposed EQC premium rate of \$0.16 per \$100 of EQC building cover, would mean each residential property will pay up to \$207 (including GST) extra per annum in EQC levies;

**8. note** that the Bill to modernise the EQC Act will establish a five-yearly review of the cap and other monitoring measures, which will allow reconsideration of whether the level of cap is appropriate based on house cost inflation, and evidence of how the cap is impacting insurance prices;

**9. note** that the Treasury and EQC will establish a process to monitor the impact that a cap increase has had on insurance prices.

**10. note** that the Minister Responsible for the EQC will set out in their letter of expectations to EQC an expectation that they monitor the impact of the cap increase on insurance prices and uptake

**10. note** the Minister Responsible for the Earthquake Commission will bring any proposal for a new name for EQC to Cabinet for consideration in September;

Kind regards,  
Siobhan

**Siobhan Duncan | Senior Analyst, Financial Markets | Te Tai Ōhanga – The Treasury**

Tel: s9(2)(k) Email: [Siobhan.Duncan@treasury.govt.nz](mailto:Siobhan.Duncan@treasury.govt.nz)

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**Treasury Report:** Arrangements for monitoring insurance uptake and prices following the Earthquake Commission Cap increase

<b>Date:</b>	11 August 2021	<b>Report No:</b>	T2021/1627
		<b>File Number:</b>	SH-11-4-3-4-7

**Action sought**

	<b>Action sought</b>	<b>Deadline</b>
<b>Minister of Finance</b> (Hon Grant Robertson)	<b>Note</b> the contents of this report.	25 August 2021
<b>Minister Responsible for the Earthquake Commission</b> (Hon Dr David Clark)	<b>Note</b> the contents of this report. <b>Agree</b> to set out in your next Letter of Expectations to the Earthquake Commission (EQC) an expectation that it collects information to help assess the impact of the EQC cap increase on insurance uptake and prices.	

**Contact for telephone discussion (if required)**

<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
Siobhan Duncan	Senior Analyst, Financial Markets	s9(2)(k) (wk)	N/A ✓
Dasha Leonova	Manager, Financial Markets	s9(2)(k) (wk)	s 9(2)(g)(ii) (mob)

**Minister's Office actions (if required)**

**Return** the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** No

## **Treasury Report: Arrangements for monitoring insurance uptake and prices following the Earthquake Commission Cap increase**

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### **Executive Summary**

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Cabinet recently agreed to increase the Earthquake Commission (EQC) cap from \$150,000 (plus GST) to \$300,000 (plus GST) [CAB-21-MIN-0267 refers].

The Cabinet paper signalled that the Treasury would consider the best way to monitor the impact of this increase on insurance uptake (/penetration) and prices. This report updates you on next steps with that work.

#### *Monitoring impact on uptake*

As a part of the new Natural Disaster Response Model, insurers will provide data to EQC about where insured homes are located so EQC can better model its exposure to natural hazard risks. s9(2)(i) .

#### *Monitoring impact on price*

EQC does not collect pricing information from insurers. However, it has recently agreed that, with the support of Treasury, it will lead a request for proposal (RFP) process to select a provider to collect information about the prices of residential property insurance. EQC intends to meet the costs of collecting the information required to enable this monitoring through the Natural Disaster Fund (NDF).

EQC will provide the data to the Treasury every six months. This data, as well as other insights that we have about developments in residential property insurance markets (for example from engagement with insurance industry stakeholders), will support our understanding about the residential property insurance market. The Treasury will report to you on these matters at least annually with more frequent reporting provided if necessary.

#### *Next steps*

We suggest that you (the Minister Responsible for the EQC) set out in your next Letter of Expectations (LoE) to EQC (for the 2022/23 financial year) an expectation that EQC collect information to support an assessment of the impact of the EQC cap increase on insurance uptake and prices.

While EQC has already stated a willingness to do this work, confirming this in the LoE will provide guidance to EQC and allow you to communicate expectations in order to provide certainty to them about their role.

## Recommended Action

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We recommend that you (**the Minister of Finance and Minister Responsible for the Earthquake Commission**):

- a **note** there is limited data available to policy makers and regulators about insurance uptake and prices;
- b **note** Cabinet agreed to increase the EQC cap from \$150,000 (plus GST) to \$300,000 (plus GST) [CAB-21-MIN-0267 refers];
- c **note** the Cabinet paper signalled that the Treasury would consider the best way to monitor the impact of the cap increase on insurance uptake and prices;
- d **note** the Treasury and EQC intend to monitor the impact of the cap increase on insurance uptake and prices which involves collecting a new set of information;
- e **note** the Treasury is unable to undertake the monitoring of insurance uptake and prices without additional funding, as a result of declining baselines and increasing demand for Treasury resources;
- f **note** the EQC intends to meet the costs of collecting the information required to enable this monitoring through the NDF as insurance uptake is a crucial principle of the EQC scheme, which is community rated; and

### (Minister Responsible for the Earthquake Commission)

- g **agree** to set out in your next letter of expectations to EQC (for the 2022/23 financial year) an expectation that it collects information to support an assessment of the impact of the cap increase on insurance uptake and prices.

*Agree/ disagree*

Mary Llewellyn-Fowler  
**Team Leader, Financial Markets**

Hon Dr David Clark  
**Minister Responsible for the Earthquake Commission**

## **Treasury Report: Arrangements for monitoring insurance uptake and prices following the Earthquake Commission Cap increase**

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### **Purpose**

1. Cabinet recently agreed to increase the EQC cap on residential buildings [CAB-21-MIN-0267 refers]. The Cabinet paper signalled that the Treasury would consider the best way to monitor the impacts on the cap increase on insurance uptake and prices.
2. The purpose of this report is to update you on the Treasury and EQC's thinking about how to monitor insurance prices in order to assess the effectiveness of a cap increase.

### **Background**

3. An increase in the cap is expected to spread the impacts of granular risk-based prices resulting in more affordable insurance in regions that are considered to have higher seismic risk (such as Hawke's Bay and Wellington).
4. It is less clear how other perils, such as changes in flood risk pricing, may impact on the costs of and availability of insurance. However, we understand that Tower may soon implement increases in property insurance prices for properties that have a high risk of flooding.
5. While we understand the general insurance trends over time, our access to data in assessing trends in property insurance markets has been limited. There has not been a public data source (via EQC or otherwise) that would enable us to determine whether a given property is insured, and how much that insurance costs.
6. The Treasury has an ongoing interest in the insurance sector. As a regulatory steward, administrator of the Earthquake Commission Act and member of the Council of Financial Regulators, we contribute to maximising New Zealand's sustainable economic wellbeing through effective and responsive regulation of the financial system in New Zealand.
7. Treasury also leads the policy work to support Cabinet's objectives that residential property insurance in New Zealand is available and affordable, and the EQC Bill will amend the purpose of the EQC to include encouraging the uptake and availability of natural disaster insurance cover for residential land and buildings.
8. To support the Treasury's policy advice to date, we have used information based on a combination of:
  - actuarial analysis from EQC's reinsurance broker;
  - pricing information provided in confidence by insurers;
  - information about Wellington multi-unit buildings (MUBs, e.g. apartment buildings) provided by property managers;

- anecdotal evidence from property owners;
  - analysis of price changes following the 2019 increase of the cap;
  - Statistics New Zealand data;
  - discussions with reinsurers; and
  - a Treasury survey on insurance uptake commissioned in late 2019.
9. EQC has not been involved in the collection or analysis of this information.
10. Through our policy process we have provided estimates of the insurance market, including:
- annual changes in premiums across high and low risk seismic areas, and
  - uptake and availability.

#### **Assessing the effectiveness of an EQC cap increase**

11. The EQC and Treasury intend to monitor how insurance uptake and prices change following a cap increase.
12. We will use this information to report to you about changes in the residential property insurance market, including the impact on insurance uptake for residential properties and on premium prices.
13. In order to achieve this, we will need a sample/set of insurance price data. This will allow us to establish a baseline for prices before the cap increase and to assess how this baseline changes over time.
14. Changes in insurance prices may result from changes in modelled risk, increased granularity of risk-based pricing, changes in regulatory requirements, increases in repair costs and services, affordability of reinsurance, and other increases in insurers' cost structures, including those relating to other perils (such as floods).
15. There are therefore limitations in understanding the exact impact of changes in the EQC cap compared to other unrelated factors such as those listed above. When we report to you on the changes in uptake and price, our assessment will include some qualitative analysis that takes the wider sector trends into account.
16. EQC and the Treasury intend to maintain the data over time so that we have a more comprehensive understanding of trends in the residential property insurance market. This will have wider benefits and can support other policy work such as the impact of climate change on insurance.

17. The information will also be useful for the review of EQC's key financial settings that will be required at least once every five years under the EQC Amendment Bill. This review, which will be led by the Minister Responsible for the Earthquake Commission and supported by the Treasury (working alongside EQC), can be undertaken sooner than five years. An earlier review may be necessary if there are significant changes in the operating environment, such as an update of the National Seismic Hazard Model in 2022 or observed changes in insurer behaviour (coastal retreat).

### Information to collect

18. The information we will collect for monitoring purposes will include insurance availability and pricing data across a representative basket of properties. This could include, for example:
- property types e.g. MUBs, stand-alone houses; and
  - high level geography e.g. suburb level.
19. There may also be the opportunity to include more granular information, such as the age or building materials of the building, as these factors are usually publicly available. However, there will be limitations to what can be collected. For example, the seismic rating of an apartment building or the homeowner's sum insured is information that may only be held by the homeowner, making it difficult to collect.

### Process for monitoring

#### *Monitoring impact on uptake*

20. As a part of the new Natural Disaster Response Model, insurers will provide data to EQC about where insured homes are located. s9(2)(i)
21. It may take time before the information set becomes comprehensive, as insurers themselves do not hold all the necessary location data. About 15% of data may still be incomplete, which is largely attributable to data held by brokers and not insurers themselves. EQC's partner insurers are working to address this issue.
22. The collection of this exposure data is for the wider functions of EQC. s9(2)(i)
23. s9(2)(i)

### *Monitoring impact on price*

24. EQC, with the support of the Treasury, will lead a request for proposal (RFP) process to select a provider to collect information about the prices of residential property insurance.
25. We are aware there are already providers in the market collecting this type of information from and with the permission of private insurers, who are themselves customers of the information.
26. EQC does not collect pricing information from insurers. It is likely that insurers would be reluctant (even if EQC could compel them) to provide pricing and other potentially commercially sensitive data. Using an independent provider manages some of these information sensitivities.
27. Following the cap increase, we can also engage with stakeholders, including insurers, consumer groups, and property owner representatives, to understand from their perspective the impact that the policy has had. We will use existing channels such as the Council of Financial Regulators, which the Treasury sits on, to monitor and discuss any issues as they arise.

### **Financial implications**

28. EQC has agreed to support this work through funding the data collection and analysis work noted above, which will be a key input into monitoring the impact of any changes resulting from the EQC cap. The funding to undertake the externally commissioned analysis will come from the Natural Disaster Fund (NDF), which is paid for by EQC levy payers.
29. We estimate that the monitoring would cost below s9(2)(b)(ii) per annum. These costs will be confirmed through the RFP process. The Treasury is unable to undertake new work without additional funding as has a declining baseline alongside increased demand for its resources.
30. The use of the NDF to fund the monitoring of insurance uptake and prices is justified as insurance uptake is a crucial principle for the EQC scheme, which is community rated. Without high uptake the cross subsidy and risk sharing dwindles, which could affect scheme viability.
31. This work will also support EQC's contribution to the five-yearly review of financial levers which will be introduced by the EQC Amendment Bill.
32. As the purpose of the EQC Scheme is to encourage the uptake and availability of insurance, it is critical for officials to maintain an ongoing understanding of the effect key financial settings have on the insurance market. The modernised EQC Act will include proposals to amend EQC's functions in ways that are consistent with EQC continuing to support this research in future:

- to expand EQC's current research and public education functions to clarify that EQC has the flexibility to contribute knowledge or expertise to improve community resilience and risk management, respond to natural disasters, or contribute to other whole-of-government initiatives that are consistent with its statutory objectives, and
- introduce a new function to recognise the financial analysis, expertise, or information that EQC may share with the Minister Responsible for the EQC, the Treasury, or any other agency for inclusion in advice provided to the government.

### **Role of the Minister Responsible for the Earthquake Commission**

33. The EQC Board is responsible for deciding how money is paid out of the NDF.
34. We suggest that in order to provide clarity about your priorities, you as the Minister Responsible for the EQC could set out in your next letter of expectations (LoE) to EQC an expectation that they collect information to support assessments of the level and pattern of the pricing and availability of residential property insurance, including the impact that a cap increase has had on insurance prices. This will enable future reviews of the EQC cap to be informed by better quality data on insurance pricing and availability.
35. EQC has already stated a willingness to do this work given insurance uptake is a crucial principle of the EQC scheme. However, confirming this in the LoE will provide guidance to EQC and allow you to communicate expectations in order to provide certainty about its role.
36. This expectation would pre-empt but align with the changes to EQC's purpose and functions through the EQC Amendment Bill. Other options for setting out this expectation include a Ministerial direction, or no formal expectation. We consider the LoE is the best option and is preferable to:
  - doing nothing (and relying on working level informal agreements), because it formalises the expectation and gives EQC a mandate to do the work, removing any ambiguity about whether it is a priority for the EQC.
  - a Ministerial direction, because it is more flexible. We do not think a Ministerial direction is required especially given EQC is already willing to do the work.

### **Next Steps**

37. The Treasury and EQC will continue to refine the process for monitoring insurance uptake and prices in order to be ready for an assessment of the impact of a cap increase in October 2022.
38. In order to assess the increase of the cap, we will need to measure the baseline before the changes take place. We expect this would need to be commenced early in the first half of 2022, meaning the RFP would need to be completed before the end of 2021.

39. The EQC, with support from the Treasury, will lead the RFP process, and will develop a brief interagency agreement on how we will do this work, our respective roles and responsibilities, funding etc.
40. The EQC will collect data approximately every six months and will provide data and analysis to the Treasury on a regular basis. The exact regularity of the data can be confirmed through the RFP process. The analysis from EQC will be combined with other insights regarding developments in residential property insurance markets (from sources such as engagements with a wide group of insurance industry stakeholders) to support our understanding about the residential property insurance market.
41. It is likely that the Treasury will report to you annually or more frequently if we determine that there is a need. This may mean there may be more frequent reports following the cap increase, as the increase is applied to new policies on a rolling basis.
42. The monitoring reports to you will seek to assess whether the increase in the EQC cap has:
  - maintained or increased insurance uptake for homes subject to high risk from EQC covered perils; and
  - placed downward pressure on insurance premiums for homes subject to high risk from EQC covered perils.
43. As noted, many factors influence the uptake and price of home insurance making it difficult to attribute changes to the new cap.
44. However, in the least, the Treasury will report how uptake and premiums for homes in higher risk areas have changed following the cap increase, relative to homes in lower risk areas.
45. As resources and funding allow, we will also seek to identify correlations between insurance uptake and premiums (at the most granular area unit available) against key factors such as incomes, homeownership rates, relative risk of specific perils (e.g. flood-prone), and recent major claims events.
46. We will also consider opportunities to design the research to compare differences between the insurance outcomes of EQC and non-EQC covered buildings and perils, and if possible, the impact on different demographic groups. For example, how insurance premiums have changed for homes subject to high risks from non-EQC covered perils (e.g. flood damage to buildings), compared to homes subject to high risk from EQC covered perils (e.g. earthquakes).
47. Officials are available to discuss the monitoring process and what we expect to report to you on if you would like.

## **Communications**

48. There is likely to be media attention about the cap increase, especially about how the effectiveness will be monitored and whether insurers will pass on any savings to consumers. If asked about how you will monitor the effect of a cap increase on insurance prices, we suggest you respond as follows:

*The Treasury and EQC will establish a process to monitor the impact that a cap increase has had on insurance prices and uptake, and report back to me and the Minister of Finance with their findings.*

*I intend to set out in my future letter of expectations to EQC an expectation that they collect information to support this assessment.*

*If there is no evidence of the pass through of the higher EQC cap (i.e. downward pressure on insurance premiums in higher risk areas and aggregate national private premiums), I would be concerned that there is a lack of competition in the residential property insurance market. This would lead me to consider options such as a competition study into the residential property insurance sector.*

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**From:** Andrea Gluyas  
**Sent:** Wednesday, 27 October 2021 2:38 pm  
**To:** John Smeed  
**Cc:** Simon Young; Kayla Nimot; Alastair Shelton  
**Subject:** RE: Meeting to discuss monitoring work

Hi John and Simon

That's great, thank you. Some additional information for you:

Attending from our side:

**Scott McHardy**, Head of Risk Financing  
**Alastair Shelton**, Principal Policy Analyst  
**Kayla Nimot**, Senior Procurement Advisor  
And myself

From Treasury  
**Siobhan Duncan**, Acting Manager of the EQC Policy Team

#### **Background**

As you are aware, the EQC cap has just been increased, and the EQC Act is being reviewed. It is in the public domain that one of the changes to the Act will be a more regular (eg five yearly) review of the settings of the EQC scheme. EQC's Minister has agreed that EQC will commission monitoring of the insurance market, and in particular of the impact and effectiveness of the cap increase, and put in place processes to support future reviews. This advice, along with EQC's own insights, will be provided to Treasury to inform their reporting back to the Minister.

#### **What we are after**

We are keen to hear from you as we understand you are a market leader in this space, and we may have the ability to contract with you directly through the All of Government panel. You might like to be prepared to speak/give a brief presentation for 15 minutes or so on the sort of insurance pricing monitoring services you provide. We would then be keen to have a discussion about the tailoring of the market monitoring you do for our purposes, understanding the potential to get data around availability of insurance as well as the pricing, other supporting analysis and insights you might provide, and some indication of pricing of the services.

If you have any questions you would like clarified ahead of the meeting to better understand, please feel free to give me a call.

Many thanks  
Andrea

**Andrea Gluyas** | Head of Risk Modelling  
**Earthquake Commission** | *Kōmihana Rūwhenua*  
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**From:** John Smeed <John.Smeed@finityconsulting.co.nz>  
**Sent:** Wednesday, 27 October 2021 1:12 PM  
**To:** Andrea Gluyas <AGluyas@eqc.govt.nz>  
**Cc:** Alastair Shelton <AShelton@eqc.govt.nz>; Kayla Nimot <KNimot@eqc.govt.nz>; Simon Young <Simon.Young@finityconsulting.co.nz>  
**Subject:** RE: Meeting to discuss monitoring work

CAUTION: This email originated from outside of the organisation. Do not click links or open attachments unless you recognise the sender and know the content is safe.

Hi Andrea

Nice to talk to you this morning. Can we make it 2 November at 3:30pm?

Simon Young will join me.

Kind regards  
John

John Smeed



Ph. s9(2)(k)  
Mobile. s 9(2)(a)(ii)  
Email. [john.smeed@finityconsulting.co.nz](mailto:john.smeed@finityconsulting.co.nz)

---

**From:** Andrea Gluyas <AGluyas@eqc.govt.nz>  
**Sent:** Wednesday, 27 October 2021 10:25 am  
**To:** John Smeed <John.Smeed@finityconsulting.co.nz>  
**Cc:** Alastair Shelton <AShelton@eqc.govt.nz>; Kayla Nimot <KNimot@eqc.govt.nz>  
**Subject:** Meeting to discuss monitoring work

**External Email:** Please be cautious with links and attachments

Hi John

Thank you for your time on the phone earlier. Here are some suggested times to meet with us and Treasury to discuss services Finity could provide to assist with insurance cost monitoring.

Best:

2 November at 9:30am  
2 November at 3:30pm

Alternatives:

Thursday 28<sup>th</sup> at 9am  
Friday 29<sup>th</sup> at 9am or 2pm  
2 November at 10:00am

I think we should allow around 45 minutes. Let me know what suits you and Simon, or if we need to look into later next week.

Many thanks

Andrea

Andrea Gluyas | Head of Risk Modelling  
**Earthquake Commission** | *Kōmihana Rūwhenua*  
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\*\*\*\*\*  
\*\*\*\*\*

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**From:** Andrea Gluyas  
**Sent:** Thursday, 18 November 2021 10:05 am  
**To:** John Smeed; Simon Young; sarah.elsey@finiticonsulting.co.nz; Siobhan Duncan [TSY]  
**Subject:** Outline for today's session  
**Attachments:** Insurance monitoring workshop.docx

Hi everyone

I've pulled together a brief outline as a "starter-for-ten" for today's workshop. Very happy to take any feedback/suggestions.

Many thanks

Andrea

**Andrea Gluyas** | Head of Risk Modelling

**Earthquake Commission** | *Kōmihana Rūwhenua*

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## INSURANCE MONITORING WORKSHOP

Purpose: to set out a possible structure and process for monitoring the effectiveness of changes in the EQC cap in supporting New Zealanders' access to and take-up of affordable home insurance

### Attendees:

Finity Consulting	Treasury	EQC
John Smeed Simon Young Sarah Elsey	Siobhan Duncan	Andrea Gluyas Michala Beacham Scott McHardy Alastair Shelton

### Agenda discussion items

- What does success look like for this project?
- What data is available or can be obtained to support insights?
  - By provider from insurance market monitoring
  - By EQC from IRM or levy information
- What additional knowledge or insights would be helpful?
  - Other factors affecting pricing (measurable/unmeasurable)
- What processes should we put in place?
  - Finity
  - EQC
  - Treasury
- In respect of monitoring insurers, what portfolios of properties would be instructive?
  - What perils or other aspects may be of interest to the Minister Responsible for EQC?
- What are our timelines to understand the impact of the 2022 cap increase?
- Is anything different needed to support the first review of the EQC cap in approximately five years?
- Costs



---

## Background – Treasury paper

### Assessing the effectiveness of an EQC cap increase

1. The EQC and Treasury intend to monitor how insurance uptake and prices change following a cap increase.
2. We will use this information to report on changes in the residential property insurance market, including the impact on insurance uptake for residential properties and on premium prices.
3. In order to achieve this, we will need a sample/set of insurance price data. This will allow us to establish a baseline for prices before the cap increase and to assess how this baseline changes over time.
4. Changes in insurance prices may result from changes in modelled risk, increased granularity of risk-based pricing, changes in regulatory requirements, increases in repair costs and services, affordability of reinsurance, and other increases in insurers' cost structures, including those relating to other perils (such as floods).
5. There are therefore limitations in understanding the exact impact of changes in the EQC cap compared to other unrelated factors such as those listed above. When we report on the changes in uptake and price, our assessment will include some qualitative analysis that takes the wider sector trends into account.
6. EQC and the Treasury intend to maintain the data over time so that we have a more comprehensive understanding of trends in the residential property insurance market. This will have wider benefits and can support other policy work such as the impact of climate change on insurance.

### Information to collect

7. The information we will collect for monitoring purposes will include insurance availability and pricing data across a representative basket of properties. This could include, for example:
  - property types e.g. MUBs, stand-alone houses; and
  - high level geography e.g. suburb level.
8. There may also be the opportunity to include more granular information, such as the age or building materials of the building, as these factors are usually publicly available. However, there will be limitations to what can be collected. For example, the seismic rating of an apartment building or the homeowner's sum insured is information that may only be held by the homeowner, making it difficult to collect.
9. We will seek to assess whether the increase in the EQC cap has:
  - maintained or increased insurance uptake for homes subject to high risk from EQC covered perils; and
  - placed downward pressure on insurance premiums for homes subject to high risk from EQC covered perils.



- 
10. Many factors influence the uptake and price of home insurance making it difficult to attribute changes to the new cap.
  11. However, in the least, the Treasury will report how uptake and premiums for homes in higher risk areas have changed following the cap increase, relative to homes in lower risk areas.
  12. As resources and funding allow, we will also seek to identify correlations between insurance uptake and premiums (at the most granular area unit available) against key factors such as incomes, homeownership rates, relative risk of specific perils (e.g. flood-prone), and recent major claims events.
  13. We will also consider opportunities to design the research to compare differences between the insurance outcomes of EQC and non-EQC covered buildings and perils, and if possible, the impact on different demographic groups. For example, how insurance premiums have changed for homes subject to high risks from non-EQC covered perils (e.g. flood damage to buildings), compared to homes subject to high risk from EQC covered perils (e.g. earthquakes).

---

**From:** Andrea Gluyas  
**Sent:** Monday, 13 December 2021 9:07 pm  
**To:** Simon Young; John Smeed  
**Cc:** Kayla Nimot  
**Subject:** RE: Insurance monitoring

All good, thanks, Simon. I've sent an invite through then for the three of us.

If it helps, our thinking is along these lines:

Treasury and the Minister have been open that monitoring will occur. We would like to explore this one a bit more with you when we speak, but are not initially keen on the suggestion of trying to get agreement to an industry collaboration on this.

There are significant advantages to continuing with the CSO, and we would be happy for you to send it back to us with any additional provisions your lawyers recommend.

We don't think the OIA is too problematic. We can withhold items based on commercial grounds, and would always consult with you before releasing any of your work under the OIA. We can make one of our lawyers available if you would like to get further information on this. My understanding, however, is that it would only apply to the information EQC holds, not anything you hadn't provided to us (eg underlying data).

As regards scope, we really have no interest in what individual insurers are providing, so would not have known or sought to know which insurer was providing quotes in Wellington if you hadn't said. It is important to know if there is restricted choice though, and we do want to try to estimate the total market cost, so ideally we want as much coverage as we can get.

Happy to chat this over some more when we speak, but also feel free to come back over email if that is quicker.

Regards

Andrea

**Andrea Gluyas** | Head of Risk Modelling  
**Earthquake Commission** | *Kōmihana Rūwhenua*  
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**From:** Simon Young <Simon.Young@finityconsulting.co.nz>  
**Sent:** Monday, 13 December 2021 8:49 PM  
**To:** Andrea Gluyas <AGluyas@eqc.govt.nz>; John Smeed <John.Smeed@finityconsulting.co.nz>  
**Cc:** Kayla Nimot <KNimot@eqc.govt.nz>  
**Subject:** RE: Insurance monitoring

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Hi Andrea,

The only time that works at this end is 11-11:45 on Thursday.

s9(2)(a) . If we wait for both of us to be available we'd have to wait until the New Year so I vote we push on without him for now. I'm finishing up this Friday, but John will be back for a couple of days early next week so we can leave some information/decisions behind for him to pick up if needed.

Cheers,

Simon

Ngā mihi | Regards

Simon Young

 **Ph NZ.** + s9(2)(k)  
**Ph AUS.** s9(2)(k)  
**Mobile.** + s 9(2)(g)(ii)  
**Email.** [simon.young@finityconsulting.co.nz](mailto:simon.young@finityconsulting.co.nz)  
**Pronouns.** he/him

---

**From:** Andrea Gluyas <[AGluyas@eqc.govt.nz](mailto:AGluyas@eqc.govt.nz)>  
**Sent:** Monday, 13 December 2021 5:44 PM  
**To:** John Smeed <[John.Smeed@finityconsulting.co.nz](mailto:John.Smeed@finityconsulting.co.nz)>  
**Cc:** Simon Young <[Simon.Young@finityconsulting.co.nz](mailto:Simon.Young@finityconsulting.co.nz)>; Kayla Nimot <[KNimot@eqc.govt.nz](mailto:KNimot@eqc.govt.nz)>  
**Subject:** RE: Insurance monitoring

**External Email:** Please be cautious with links and attachments

Hi John and Simon

We've had a discussion internally on these issues and would be keen to talk them through with you. I'm in Christchurch tomorrow (Tuesday), so fairly booked up, but could 11am if that suited you, or 10am on Wednesday or 10:30-11:45am on Thursday, if any of these suit you?

Thanks  
Andrea

**Andrea Gluyas** | Head of Risk Modelling  
**Earthquake Commission** | *Kōmihana Rūwhenua*  
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---

**From:** John Smeed <[John.Smeed@finityconsulting.co.nz](mailto:John.Smeed@finityconsulting.co.nz)>  
**Sent:** Wednesday, 8 December 2021 6:08 PM  
**To:** Andrea Gluyas <[AGluyas@eqc.govt.nz](mailto:AGluyas@eqc.govt.nz)>

Cc: Simon Young <[Simon.Young@finityconsulting.co.nz](mailto:Simon.Young@finityconsulting.co.nz)>

Subject: Insurance monitoring

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Hi Andrea,

Apologies for taking a while to come back to you, we have been busy working through the implications on this on a few fronts:

- Client engagement
- Legals
- Scoping

### Client Engagement

On the client engagement side we've had informal conversations with contacts at several of our clients, and it's fair to say that the responses have been a little mixed. Sufficiently so that we're leaning to preferring having the "active support" of the insurance industry, rather than the "passive participation". Therefore we suggest it would be worthwhile bringing in the ICNZ with perhaps a 3-way discussion including Tim Grafton being a logical next step. There are other advantages of having the active support of the insurance industry, including potentially the ability to bring greater clarity to the entire operation by getting quotes directly from insurers that we can't get online.

s 9(2)(b)(ii)

### Scope

We haven't progressed too far with scope. One element coming from our client discussions is that anonymity is impossible in areas where only one insurer is quoting (e.g. Tower in Wellington). Given that maintaining anonymity is a key part of our role here we will be carefully crafting the outputs to ensure it is maintained. You can expect that we'll provide less detail in areas where fewer insurers are quoting.

How would you like to progress on this? We will have a draft scope ready by next week but I'd suggest some initial engagement with ICNZ and Legal earlier rather than later may help to get this moving more quickly.

Ngā mihi | Regards  
John

John Smeed

Ph +s9(2)(k)  
Mobile +s 9(2)(g)(ii)  
Email [john.smeed@finityconsulting.co.nz](mailto:john.smeed@finityconsulting.co.nz)



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## AoG Consultancy Services Order (CSO)

### Part A – for Participating Agency (client) to complete

The Participating Agency (referred to as the client in Parts A – E of this Consultancy Services Order) will complete this and email the entire form (including all Parts) to the Provider.

<b>Today's Date</b>		<b>CSO or Project name</b>	<b>CSO No: 3136</b> <b>Insurance Price Monitoring</b>
<b>Agency</b>	EQC	<b>Provider</b>	<b>Finity Consulting Pty Ltd</b>
<b>Agency contact name &amp; title</b>	<i>Andrea Gluyas</i>	<b>Provider contact name &amp; title</b>	<i>Simon Young</i>
	<i>Head of Risk Modelling</i>		<i>Principal</i>
<b>Nominated Personnel</b>	<i>[name]</i>	<b>Nominated Personnel</b>	
<b>Agency email address</b>	<a href="mailto:AGluyas@eqc.govt.nz">AGluyas@eqc.govt.nz</a>	<b>Provider email address</b>	Simon.young@finiticonsulting.co.nz
<b>Agency phone #</b>		<b>Provider phone #</b>	s 9(2)(a)(ii)
<b>Sub Category</b>	<i>Finance and Economics</i>	<b>GCDO Assurance Sub Panel</b>	

### A1. Purpose and any background information

1. The EQC and Treasury intend to monitor how insurance uptake and prices change following a cap increase.
2. In order to support this, EQC and Treasury will need information on insurance prices and availability. This will support the establishment of a baseline for prices before the cap increase and to assess how this baseline changes over time.
3. Changes in insurance prices may result from changes in modelled risk, increased granularity of risk-based pricing, changes in regulatory requirements, increases in repair costs and services, affordability of reinsurance, and other changes in insurers' cost structures, including those relating to other perils (such as floods).
4. There are therefore limitations in understanding the exact impact of changes in the EQC cap compared to other unrelated factors such as those listed above. Reporting on the changes in uptake and price will need to include some qualitative analysis that takes the wider sector trends into account.
5. EQC and the Treasury intend to maintain the data over time to build a more comprehensive understanding of trends in the residential property insurance market. This will have wider benefits and can support other policy work such as the impact of climate change on insurance.

## A2. Specific questions / instructions for Provider

6. The information Finity will collect under this CSO to support this monitoring will include insurance availability and pricing data across a representative basket of properties. This could include, for example:
  - property types e.g. MUBs, stand-alone houses; and
  - high level geography e.g. suburb level.
7. There may also be the opportunity to include more granular information, such as the age or building materials of the building, as these factors are usually publicly available. However, there will be limitations to what can be collected. For example, the seismic rating of an apartment building, or the homeowner's sum insured is information that may only be held by the homeowner, making it difficult to collect.
8. Finity will seek to assess whether the increase in the EQC cap has:
  - maintained or increased insurance uptake for homes subject to high risk from EQC covered perils; and
  - placed downward pressure on insurance premiums for homes subject to high risk from EQC covered perils.
9. and will report how uptake and premiums for homes in higher risk areas have changed following the cap increase, relative to homes in lower risk areas.
10. As resources and funding allow, and in consultation with EQC and/or Treasury, Finity will also seek to identify correlations between insurance uptake and premiums (at the most granular area unit available) against key factors such as incomes, homeownership rates, relative risk of specific perils (e.g. flood-prone), and recent major claims events.
11. Finity will also consider opportunities to design the research to compare differences between the insurance outcomes of EQC and non-EQC covered buildings and perils, and if possible, the impact on different demographic groups. For example, how insurance premiums have changed for homes subject to high risks from non-EQC covered perils (e.g. flood damage to buildings), compared to homes subject to high risk from EQC covered perils (e.g. earthquakes).

## A3. Additional Information e.g. risks to client, additional contact information

*Not Applicable*

## A4. Client specific requirements

*Not Applicable*

#### A5. Timeframes

To ensure the programme of work is completed as required by EQC and Treasury, it must commence by May 2022. Once the reporting is agreed and established; it is envisaged that it will be completed quarterly thereafter for the term of this agreement. Refer proposed timeline in section B1.

#### A6. Indicative budget

For the calendar year ending December 2022, the budget is s 9(2)(b)(ii) covering set up and three data collection runs and reports. Any potential work in subsequent years is estimated at approximately s 9(2)(b)(ii) per annum. Each subsequent year covers four data collection runs and reports.

#### A7. Outputs of the Services

A report, containing aggregated price and availability data and analysis, following each scheduled data collection run.

#### A8. Tables

N/A

#### A9. Provider liability cap

No changes

**Part B – for Provider to complete**

*The Provider will complete Part B and email the form back to the client*

### B1. Specific Services to be provided

1. Finity will specify 2,000 Buildings insurance profiles to run through its FinQuote service. The profiles will be designed to:
  - Provide depth of data in geographies of most interest to the EQC and Treasury.
  - Separately consider perils such as earthquake, coastal flooding, and riverine flooding.
  - Have a range of building characteristics.
2. Finity will estimate a weight for each profile such that the profiles can be combined to estimate the total insurance spend in New Zealand.
3. Finity will collect Buildings insurance quotes for the 2,000 profiles from the following insurance websites:
  - AA (Underwritten by AA)
  - State (IAG)
  - AMI (IAG)
  - Tower (Tower)
  - TradeMe (Tower)
  - ANZ (Vero)
  - AMP (Vero)
4. In addition, Finity will spend up to 5 hours collecting phone quotes in high-risk locations per collection.
5. In the first year the collection schedule is suggested as follows:
  - May 2022 – an initial run to determine the suitability of the profiles and prepare the analysis and reporting templates.
  - September 2022 – the baseline run prior to the EQC cap change on 1 October 2022.
  - October 2022 – the post-EQC cap change run to enable analysis and reporting on insurer movements.
  - February 2023 – the start of the ongoing quarterly collection.

6. At a minimum, price data will be provided at a regional council level of granularity. The metrics we will provide at each level of granularity are:
  - The lower quartile, median, upper quartile and maximum price offered.
  - The proportion of profiles with 2 or less insurers quoting (i.e. limited options).
  - In addition, for every profile we will indicate the number of insurers that have quoted.
7. Finity will develop a standardised reporting template that will be populated at each collection point. Finity will also provide a high-level view on insurance affordability by regions as well as tracking insurance prices across time.
8. If, due to third party website problems or other intervening factors beyond the reasonable control of Finity (which do not amount to a Force Majeure), there are delays or failure to provide the reports as scheduled, Finity will contact EQC and the parties will, to the full extent reasonably practicable, negotiate a reschedule. If the Parties cannot agree to reschedule, Finity may terminate this CSO by giving one month written notice.
9. Further details are found in the attached proposal *P\_2203 EQC Insurance Price Monitoring*

B2. Sub Category and Tier to be Provided		
Selection	Sub-category of Services	Tier (1/2/3)
	Accounting	
	Assurance	
	Audit	
x	Finance and economics	Tier 3
	Procurement and logistics	
	Taxation	
	Business change	
	Human resource	
	Marketing and public relations	
	Operations management and risk	
	Policy, research and development	

**B3. Can you confirm that the Nominated Personnel (if any) is available to provide the Services?**

Finity proposes to establish Simon Young as the dedicated manager for the project. Simon will be assisted by s9(2)(a) [REDACTED]. All three are available to provide the services.

<b>B4. Can you confirm that the timeframe is acceptable?</b>
The timeframes are achievable, with the work commencing in April 2022 and finishing in December 2022 (first year of collection), with ongoing quarterly collection thereafter.

<b>B5. Estimated Start and End Date – Initial work timeframe only. Additional term/ is to be agreed</b>			
<b>Start</b>	April 2022	<b>End</b>	December 2022

B6. Estimate / Quote (excluding GST, if any)	
<b>Fees</b>	Up to s 9(2)(b)(ii) GST (first year), and up to s 9(2)(b)(ii) (plus GST) in the subsequent years
<b>Administration Fee (Tier 1 and 2 only)</b>	\$0- Not applicable
<i>(Optional)</i> The above Fees are apportioned as follows:	
Job Level 1	s 9(2)(b)(ii) and potentially s 9(2)(b)(ii) per annum thereafter
Job Level 2	\$
Job Level 3	\$
Job Level 4	\$
Job Level 5	\$
Fixed Fee (Job Level 1)	\$
Fixed Fee (Job Level 2)	\$
Fixed Fee (Job Level 3)	\$
Fixed Fee (Job Level 4)	\$
Fixed Fee (Job Level 5)	\$
Monthly Retainer	\$
Subcontracting	\$
<b>Expenses</b>	\$0.00
<b>Total Charges</b>	s 9(2)(b)(ii)
Identify whether the Total Charges is an Estimate / Quote and the method that the Charges have been calculated	Partially estimate, partially quote.
<b>Additional information / assumptions:</b>	
<p>Each collection of data includes s 9(2)(b)(ii) of fixed quote costs. Time costs are approximate, but we will endeavour to come in as per the budget. For additional out-of-scope work we will seek approval before commencing the costs will be as per our rate card.</p> <p>Any additional costs for the in-scope services, will need to be agreed in writing, before starting.</p>	

Job Level	Indicative Characteristics
Level 5	<ul style="list-style-type: none"> <li>• 15+ years of extensive professional experience in their specialised field in a consultancy role.</li> <li>• An industry leader and key influencer who is respected for their professional proficiency and knowledge.</li> <li>• Recognised as a trusted adviser to ministers and/or senior executive teams.</li> <li>• Acts as the senior responsible person on major client engagements. Able to be accountable for leading complex projects/programs.</li> <li>• Responsible for leading a high performing team of professionals, including the coaching and mentoring of colleagues at Levels 1–4.</li> </ul>
Level 4	<ul style="list-style-type: none"> <li>• 10+ years of substantial professional experience in their specialised field in a consultancy role.</li> <li>• Strong theoretical base in subject area, with ability to apply best practice principles to the subject matter context.</li> <li>• Senior team leader with the ability to deputise for the senior responsible person and coach and mentor more junior staff.</li> <li>• Ability to coordinate contributions of other specialists to complete a joint project.</li> <li>• Can engage with clients at strategic/management level if required.</li> </ul>
Level 3	<ul style="list-style-type: none"> <li>• 3-10 years of notable professional experience in their specialised field in a consultancy role.</li> <li>• A trusted performer on a wide range of client-facing consultancy projects in both the private and public sectors.</li> <li>• Thorough knowledge of functional area, combining a broad grasp of relevant best practice principles.</li> <li>• Ability to participate in multi-disciplinary teams and to work independently (with limited supervision).</li> <li>• Performs professional level analysis requiring technical skills and independent initiative within a well-defined program of work.</li> <li>• Contacts with clients predominantly at a working level.</li> </ul>
Level 2	<ul style="list-style-type: none"> <li>• 1-3 years of demonstrable professional experience in their specialised field in a consultancy role.</li> <li>• Previous experience on a range of client-facing consultancy projects, preferably in both the private and public sectors.</li> <li>• Has a theoretical base in subject area, possibly supplemented through recent study, with the ability to translate theory into practice</li> <li>• Performs a variety of analytical tasks requiring independent initiative and knowledge.</li> <li>• Interacts with clients predominantly at the working level.</li> </ul>
Level 1	<ul style="list-style-type: none"> <li>• 0+ years of relevant professional experience in a professional environment.</li> <li>• Evidence of prior contributions to consultancy engagements.</li> <li>• Performs a range of administrative tasks to support the wider team.</li> <li>• Work is performed under the guidance of colleagues at Levels 3-5.</li> </ul>

B7. Conflict of Interest declaration and Additional Information
<p>I, Simon Young have made diligent inquiry whether Finity has any actual, potential or perceived Conflict of Interest were it to provide the Services described in this Consultancy Services Order and I have disclosed any actual, potential or perceived Conflict of Interest and how it will be managed below:</p> <div style="border: 1px solid black; padding: 5px;"> <p>There is the potential for conflicts in this role, because Finity currently offers pricing advice to direct insurers in New Zealand.</p> <p>To manage this risk, we have had individual discussions with key personnel within each insurer and have explained EQC's reasons for monitoring market pricing over this period of change.</p> <p>To protect our existing relationships, we will be ensuring anonymity of the data provided, and reserve the right to further obfuscation than stated if we believe anonymity may be compromised.</p> </div>

B8. Additional information
<p>s 9(2)(b)(ii)</p>

B9. Signatures	
<b>Name of Provider's authorised signatory</b>	Simon Young
<b>Signature of authorised signatory</b>	s9(2)(a)

<b>The client accepts and authorises this Consultancy Services Order</b>	<b>[Yes/No]</b>
<b>Name of client's authorised signatory</b>	Jaron Shaw
<b>Signature of authorised signatory</b>	s9(2)(a)
<b>Date of acceptance</b>	26/5/2022

Client's job reference or purchase order number	[if required]
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Please send this link below to your agency contacts to complete after each engagement. For long engagements, we recommend sending this at key milestones to seek feedback throughout the engagement.

**Consultancy** (<https://www.research.net/r/ClientSatisfactionSurvey-AoGcontracts-CSO>)

**GCDO Assurance** (<https://www.research.net/r/GCDOAssuranceServices-CSO>)

**Part C – Variations to Part A**

**LEAVE BLANK WHEN ISSUING CONSULTANCY SERVICES ORDER**

*The client will complete Part C if they wish to change any details in Part A*

**C1. Revised scope and/or timeframe**

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**Part D – Variations to Part B**  
**LEAVE BLANK WHEN ISSUING CONSULTANCY SERVICES ORDER**  
*The Provider will complete this only if and when it receives a Variation per Part C above from the client*

**D1. Revised Estimate (excluding GST, if any)**

<b>Revised Fees</b>	\$(Add in total Fees)
<b>Administration Fee (Tier 1 and 2 only)</b>	\$(1% of Fees for Services for which the Provider is Tier 1 or Tier 2)
<i>(Optional)</i> The above Fees are apportioned as follows:	
Job Level 1	\$
Job Level 2	\$
Job Level 3	\$
Job Level 4	\$
Job Level 5	\$
Fixed Fee (Job Level 1)	\$
Fixed Fee (Job Level 2)	\$
Fixed Fee (Job Level 3)	\$
Fixed Fee (Job Level 4)	\$
Fixed Fee (Job Level 5)	\$
Monthly Retainer	\$
Subcontracting	\$
<b>Revised Expenses</b>	\$
<b>Total Charges</b>	\$
Identify whether the Total Charges is an Estimate / Quote and the method that the Charges have been calculated	
Additional information / assumptions:	

<p><b>Part E – Acceptance</b></p> <p><b>LEAVE BLANK WHEN ISSUING CONSULTANCY SERVICES ORDER</b></p> <p><i>The Provider and client to complete on acceptance of this Consultancy Services Order</i></p>
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E1. Signatures	
Name of Provider’s authorised signatory	
Signature of authorised signatory	

The client accepts and authorises this Consultancy Services Order	[Yes/No]
Name of client’s authorised signatory	
Signature of authorised signatory	
Date of acceptance	
Client’s job reference or purchase order number	[if required]

Please send this link below to your agency contacts to complete after each engagement. For long engagements, we recommend sending this at key milestones to seek feedback throughout the engagement.

**Consultancy** (<https://www.research.net/r/ClientSatisfactionSurvey-AoGcontracts-CSO>)

**GCDO Assurance** (<https://www.research.net/r/GCDOAssuranceServices-CSO>)

**Part F – Terms**

**THE PROVIDER AND PARTICIPATING AGENCIES ARE NOT PERMITTED TO AMEND THIS PART F.**

*This Part F contains an extract of selected terms and conditions from the Services Agreement (the **Agreement**). Clause, schedule and paragraph references have been updated to refer to clauses, schedules and paragraphs in this Part F where applicable. For the full terms and conditions that govern the Services, please refer to the Agreement.*

**1. Appointment**

**1.1 Appointment**

- (a) The Participating Agency appoints the Provider to provide Services to the Participating Agency as detailed in this Consultancy Services Order and the Provider accepts that appointment, in accordance with the terms of this Consultancy Services Order.
- (b) Certain obligations of the Provider in this Consultancy Services Order do not apply to sub-categories of Services for which the Provider has been appointed as a Tier 3 Provider as follows:
  - (i) the Participating Agency may nominate specific Personnel to be the primary providers or to supervise the delivery of the Services but clauses 6.2(b) to 6.2(e) do not apply to any nominated Personnel;
  - (ii) the relevant Services are not required to meet or exceed the Service Levels specified in Schedule 3 (Performance Measurement) and clause 2.5(a), Schedule 3 (Performance Measurement) do not apply;
  - (iii) the Provider is not required to pay an Administration Fee and clause 8.3(a)(v) does not apply;
  - (iv) the Provider is not required to conduct the Agency Satisfaction Survey for the relevant Services and clause 5.1(h) does not apply;
  - (v) the Provider and Participating Agency are not obligated to escalate a dispute to the CoE's All-of-Government Procurement Manager, Centre of Expertise for Consultancy, in accordance with clause 13.2(c)(ii); and
  - (vi) as otherwise stated in this Consultancy Services Order.

2.2

2.3

2.4

- (a) The Provider will provide Services to the Participating Agency in accordance with the terms of this Consultancy Services Order.
- (b) The Provider will use all reasonable endeavours to ensure that, on the date the Documentation is provided under this Consultancy Services Order, such Documentation is in a readable and readily useable format.

**2.2 Agents may procure Services**

The Participating Agency may, by notice to the Provider and the CoE, appoint one or more third parties to procure Services under this Consultancy Services Order on the Participating Agency's behalf and/or receive invoices, as if that agent was a Participating Agency, provided that any such procurement is for the sole benefit of the Participating Agency.

**2.3 Timely performance**

The Provider will ensure that the Services to be performed under this Consultancy Services Order are provided on or before the date specified for performance (if any) in this Consultancy Services Order and, if no time is specified, within a reasonable time after the issue of the Consultancy Services Order.

**2.4 Delay**

- (a) If the Provider considers that it is (or is likely to be) prevented or delayed from achieving a date or time for performance (**Milestone**) specified in this Consultancy Services Order (**Delay**), it will:
  - (i) immediately provide notice verbally or in writing to the Participating Agency, setting out:
    - (A) the cause of the Delay and its expected duration;
    - (B) the effect of the Delay on its ability to perform its obligations under this Consultancy Services Order (including any future Milestones);

**2. Services**

**2.1 Services**

- (C) what extension, if any, to the relevant Milestone is being sought; and
- (D) what steps, if any, the Participating Agency may take to mitigate the effect of the Delay; and
- (ii) take all reasonable steps necessary (including by the allocation of additional resources) to eliminate or avoid the Delay and, in all cases, mitigate its effects.
- (b) If the Provider and Participating Agency agree that the Delay is acceptable or wish to amend the Milestone:
  - (i) the Provider will complete and submit Part C of this Consultancy Services Order to the Participating Agency; and
  - (ii) upon receipt of the completed Part C of this Consultancy Services Order, the Participating Agency must promptly advise the Provider in writing if the completed Part C is acceptable.
- (c) If the Provider does not achieve the Milestone (as amended from time to time) and the Participating Agency's acts or omissions, or those of its Personnel or third parties acting on its behalf, have not caused the Provider to fail to achieve the Milestone, the Participating Agency may, without prejudice to any other right or remedy, suspend payment of any Charges relating to this Consultancy Services Order until the Provider remedies the relevant failure.

**2.5 Service standards**

- (a) The Provider must provide the Services in relation to the sub-categories for which the Provider has been appointed as a Tier 1 and Tier 2 Provider to a standard that reaches or exceeds the Service Levels specified in Schedule 3 (Performance Measurement).
- (b) In addition, the Provider must:
  - (i) provide the Services diligently, efficiently, effectively and in accordance with Industry Best Practice;
  - (ii) ensure that the Services to be performed under this Consultancy Services Order are provided on or before the date specified for performance (if any) in this Consultancy Services Order and, if no time is specified, within a reasonable time after the issue of this Consultancy Services Order;
  - (iii) ensure that all Documentation, information and advice (including Documentation, information and advice provided prior to the issue of this Consultancy Services Order) provided to the

Participating Agency or published on the Provider Database is Fit for Purpose so that, without limitation, it contains sufficient content and detail to enable the Participating Agency to make use of it for the purpose for which it was requested;

- (iv) act in the best interests of the Participating Agency in the provision of Services to the Participating Agency; and
- (v) provide Services to the reasonable satisfaction of the Participating Agency (as reported to the CoE).

**3. Estimates and Quotes**

**3.1 Estimates and Quotes**

- (a) The Provider must provide an Estimate or Quote for all Services to be provided under this Consultancy Services Order, unless the total Fees in respect of the Services under this Consultancy Services Order are likely to be less than \$10,000 (exclusive of GST) or such other amount as determined by the CoE and notified to the Provider.
- (b) Despite clause 3.1(a), if, during the course of providing the Services, the Provider becomes aware that the total Fees (excluding GST) are likely to exceed the amount referred to in clause 3.1(a), the Provider must provide an Estimate in accordance with clauses 3.1(c) to (e).
- (c) All Estimates and Quotes will be provided at no cost to the Participating Agency.
- (d) All Estimates and Quotes must specify the estimated timeframe to perform the Services requested in this Consultancy Services Order and the Rates of Personnel providing the Services and include any Expenses likely to be incurred in providing the Services.
- (e) All Quotes and Estimates must be provided to the Participating Agency in writing and must be included in this Consultancy Services Order.
- (f) To avoid doubt and without limiting clause 4.5(c) of the Services Agreement, if any Quote or Estimate is not acceptable to the Participating Agency, the Participating Agency and Provider may seek to negotiate a more favourable Quote or Estimate, including a decrease in the Rates on which the Quote or Estimate was based.

**3.2 If Charges exceed the Estimate**

- (a) If during the course of providing the Services under this Consultancy Services Order, the Provider becomes aware that the total Charges (excluding GST) are likely to exceed the Estimate, the Provider must give written notice to the Participating Agency using Part D of this Consultancy Services Order as soon

as the Provider becomes so aware, but no later than the time the costs accrued or incurred reach 80% of the Estimate.

- (b) The notice under clause 3.2(a) must specify a revised Estimate for the Services and include the reason the total Charges will exceed the original Estimate.
- (c) The Participating Agency has sole discretion whether to approve a revised Estimate and must act reasonably when deciding whether to approve a revised Estimate.
- (d) When a revised Estimate is approved, the Participating Agency must provide written notice of the same to the Provider.
- (e) If a Provider has provided an Estimate to the Participating Agency for Services, the Participating Agency is not liable to pay the Provider any amount exceeding the Estimate unless the Participating Agency has approved a revised Estimate.

**3.3 If Charges exceed the Quote**

- (a) The Provider acknowledges that neither the CoE nor the Participating Agency are obliged to pay any Charges to the Provider in relation to Services performed under this Consultancy Services Order if those Charges exceed any Quote provided in relation to this Consultancy Services Order, unless the Participating Agency has given its prior written consent in accordance with clause 3.3(b).
- (b) If the Participating Agency agrees to allow the Provider to increase the Charges:
  - (i) the Provider will complete and submit Part D of this Consultancy Services Order to the Participating Agency; and
  - (ii) upon receipt of the completed Part D of this Consultancy Services Order, the Participating Agency must promptly advise the Provider (in writing) if the completed Part D is acceptable.

**4. Conflicts of interest**

**4.1 Conflicts of interest**

- (a) The Provider must, upon receipt of this Consultancy Services Order, make diligent inquiry whether it has any actual, potential or perceived Conflicts of Interest if it were to provide the Services specified in this Consultancy Services Order and, if no such Conflict of Interest exists, the Provider must provide confirmation to that effect to the Participating Agency.
- (b) If the Provider has an actual, potential or perceived Conflict of Interest, the Provider must immediately notify the Participating Agency and must not begin performing the Services without the prior written approval of the Participating Agency.

- (c) The Provider must take all reasonable steps to ensure that:
  - (i) a situation does not arise that might result in an actual, potential or perceived Conflict of Interest; and
  - (ii) any Personnel or Subcontractors of the Provider do not engage in any activity or obtain interests that might result in the Provider or such Personnel or Subcontractors having an actual, potential or perceived Conflict of Interest,

that cannot be managed to the satisfaction of the Participating Agency.

- (d) If, after commencing Services under this Consultancy Services Order, the Provider becomes aware of any matter, circumstance, interest or activity that may give rise to any actual, potential or perceived Conflict of Interest, the Provider must immediately notify the Participating Agency of all relevant details and must immediately cease work on the Services until such time as the Participating Agency provides written notice confirming the Provider may continue to perform the Services or terminates the engagement of the Provider in respect to the Services to be performed under this Consultancy Services Order in accordance with clause 4.1(e).
- (e) If the Participating Agency considers that the Provider has an actual Conflict of Interest of sufficient gravity that the Provider can no longer perform Services for it, the Participating Agency may, by written notice to the Provider, terminate this Consultancy Services Order with immediate effect on the date of termination specified in that notice.
- (f) Any approval or notice given by the Participating Agency pursuant to clause 4.1(b) or 4.1(d) may require the Provider to take steps reasonably required by the Participating Agency to manage the Conflict of Interest, and the Provider must provide written notice confirming its acceptance of those steps before it may commence or continue to provide the Services under this Consultancy Services Order.

**5. Responsibilities**

**5.1 Provider responsibilities**

In addition to its other obligations under this Consultancy Services Order, the Provider will:

- (a) respond promptly, accurately and adequately to any requests for information made by the Participating Agency in relation to the Services, including requests for advice;
- (b) in performing Services for the Participating Agency under this Consultancy Services Order comply with all privacy and other policies and guidelines issued by the Participating Agency.

- Agency and notified or made available to the Provider;
- (c) obtain, maintain and comply with any governmental, regulatory or other approvals, permissions, consents, licences, and requirements necessary to provide the Services and perform its obligations under this Consultancy Services Order;
  - (d) comply with all Laws at all times during the Term in so far as they relate to the provision of the Services, including the Privacy Act 1993 and all applicable consumer laws;
  - (e) ensure that it and its Personnel providing the Services do not access the Participating Agency's information or systems except to the extent necessary to provide the Services and for no other purpose;
  - (f) as soon as is practicable, notify the Participating Agency of any problems or issues that arise in relation to the performance of its obligations under this Consultancy Services Order, including any problems or issues that will, or are likely to, affect the provision or quality of the Services or the ability of the Provider to perform its obligations under this Consultancy Services Order;
  - (g) without limiting any other provision of this Consultancy Services Order, use all reasonable endeavours to avoid damaging or adversely affecting any Participating Agency's reputation;
  - (h) in relation to the sub-categories for which the Provider has been appointed as a Tier 1 and Tier 2 Provider, conduct the Agency Satisfaction Survey by asking the Participating Agency the questions recorded in Annexure A of Schedule 5 (Governance) to the Services Agreement within 5 Business Days of the Services in this Consultancy Services Order being completed.

## 5.2 Participating Agencies' responsibilities

The Participating Agency has the following responsibilities in relation to the Services:

- (a) to manage its operational relationship with the Provider, including in relation to the fulfilment of this Consultancy Services Order;
- (b) to notify the Provider of all relevant policies, guidelines and procedures of the Participating Agency that the Provider must comply with when performing the Services under this Consultancy Services Order;
- (c) to provide adequate instructions and information to the Provider to allow it to perform the Services under this Consultancy Services Order;
- (d) to make timely decisions where approvals or consents are reasonably sought by the Provider in performing the Services under this Consultancy Services Order;

- (e) to pay the Charges; and
- (f) to use its best efforts to resolve any dispute directly with the Provider before involving the CoE in accordance with clause 13.

## 6. Resourcing

### 6.1 General requirements

The Provider will provide and maintain sufficient resources (including human resources, equipment, telecommunications connectivity, premises and other facilities) to enable it to perform its obligations on time and otherwise in accordance with this Consultancy Services Order.

### 6.2 Provider's Nominated Personnel

- (a) The Participating Agency may, in this Consultancy Services Order, nominate specific Personnel (**Nominated Personnel**) to be the primary providers or to supervise the delivery of the Services.
- (b) If any Nominated Personnel nominated in this Consultancy Services Order are not available to provide or supervise the Services requested, the Provider must immediately notify the Participating Agency and provide details of other Personnel (if any) with the necessary skills and experience to provide or supervise the Services requested pursuant to this Consultancy Services Order.
- (c) Notice given under clause 6.2(b) must specify the period for which the Nominated Personnel will continue to be unavailable.
- (d) Upon receipt of notice under clause 6.2(b), the Participating Agency must notify the Provider whether the replacement Personnel are acceptable.
- (e) The Participating Agency is under no obligation to accept any replacement Personnel and, if it does not approve the replacement Personnel, the Provider may not commence or continue providing the Services.

### 6.3 Personnel

- (a) The Provider will ensure that all of its Personnel who are engaged in the performance of the Provider's obligations under this Consultancy Services Order:
  - (i) have the requisite skills, expertise, qualifications and experience;
  - (ii) have, before performing any such obligations, obtained all security clearances and passed all probity checks required by, or necessary to provide the Services to, the Participating Agency;
  - (iii) comply with all health, safety, security and other policies, codes of conduct, procedures and reasonable directions as may be

reasonably required by the Participating Agency from time to time; and

- (iv) will carry out their respective duties with due care, skill and diligence.
- (b) The Participating Agency will notify the Provider of any security clearances and probity checks required by, or necessary to provide the Services to, the Participating Agency.

6.4 **Subcontracting**

- (a) The Provider will not subcontract the performance of all or part of the Services or any of its other obligations under this Consultancy Services Order, except with the prior written consent of the Participating Agency.
- (b) The Provider is solely responsible for the selection of each Subcontractor and must ensure that each Subcontractor is creditworthy, qualified and has the relevant experience to perform the work it is required to carry out for the Provider.
- (c) To the extent permitted by Law, the Provider is and remains fully responsible for any act or omission of any Subcontractor.
- (d) The Provider must ensure that each Subcontract contains obligations on the Subcontractor that are consistent with the relevant terms of this Consultancy Services Order, including in relation to clauses 5.1 (Provider responsibilities), 6.3(a) (Personnel), 10 (Confidentiality), 11 (Intellectual Property) and 14 (Termination) and Schedule 3 (Performance Measurement), together with clause 15 (Audit) of the Services Agreement.
- (e) If, in the Participating Agency's reasonable opinion, a Subcontractor is:
  - (i) materially not performing in accordance with the terms of this Consultancy Services Order, the Participating Agency may, by notice to the Provider, require the Provider to procure that the Subcontractor performs the relevant obligations within 10 Business Days, failing which the Participating Agency may, by notice to the Provider, require the Provider to remove that Subcontractor; or
  - (ii) a material threat to the health, safety or security of the Personnel or property of the Participating Agency, or has breached security or confidentiality requirements of this Consultancy Services Order, the Participating Agency may, by notice to the Provider, require the Provider to remove that Subcontractor,
 and the Provider will ensure the immediate removal of that Subcontractor.

**7. Changes**

**7.1 Change procedure**

The Participating Agency may agree any variations to this Consultancy Services Order with the Provider using Part C of the Consultancy Services Order.

**8. Price and payment**

**8.1 Calculation of Charges**

The Charges will be calculated in accordance with the terms of Schedule 2 (Pricing).

**8.2 Participating Agency to pay for Services**

- (a) The Participating Agency will pay the Provider the Charges applicable to any Services procured by the Participating Agency on the terms of this clause 8.
- (b) The Charges and Administration Fee comprise the total amount payable by the Participating Agency for the Services.

**8.3 Invoicing and payment**

Except as otherwise provided in Schedule 2 (Pricing) or as agreed with the Participating Agency in this Consultancy Services Order, the Provider will invoice the Participating Agency (or, if the Participating Agency has instructed the Provider in writing, the third party agent) for the Charges and the Participating Agency will pay those Charges, in accordance with the following terms:

- (a) the Provider will render one itemised invoice to the Participating Agency at the end of each month during the Term for all Services performed during that month specifying (as applicable):
  - (i) the nature and amount of the Fees or other applicable fees and fee structures;
  - (ii) the Personnel and their applicable Rate;
  - (iii) the hours billed (by Personnel and in the aggregate);
  - (iv) the nature and amount of any Expenses (including any third party charges to be passed on to the Participating Agency);
  - (v) if applicable, the amount representing the Administration Fee;
  - (vi) how much of the Estimate or Quote has been used;
  - (vii) a brief description of the Services provided during that month; and
  - (viii) any other matters the Participating Agency may reasonably request;
- (b) each correctly rendered invoice will be payable on or before the 20th day of the month following the month in which the invoice was received;
- (c) the Participating Agency will have no obligation to pay any Charges which are invoiced more than 90 days after the

- date that such amount was required to be invoiced pursuant to this clause 8.3; and
- (d) the Provider may only invoice the Participating Agency for any Expenses at the cost actually incurred by the Provider.

**8.4 Invoice disputes**

If the Participating Agency or the Provider disputes an invoice:

- (a) it may withhold the disputed sum and, if applicable, associated Administration Fee until the dispute is resolved;
- (b) the dispute will be resolved in accordance with clause 13; and
- (c) it will pay the undisputed portion in accordance with clause 8.3.

The Provider will not be excused from performing its obligations under this Consultancy Services Order while an invoice is disputed by the Participating Agency.

**8.5 Taxes**

- (a) Except for any GST payable by the Participating Agency, any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including applicable interest and penalties) payable in connection with this Consultancy Services Order under any Law is to be paid by the Provider and not passed on to the Participating Agency unless otherwise expressly agreed in writing by the Participating Agency.
- (b) The Participating Agency may deduct from any payment to be made to the Provider any withholding taxes or other deductions that it is required by Law to make.

**8.6 Administration Fee**

In relation to the sub-categories for which the Provider has been appointed as a Tier 1 or Tier 2 Provider, the Provider will ensure that each invoice issued to the Participating Agency for the Charges includes, in addition to the Charges, a separate amount equal to 1% of the Fees (excluding GST) (the **Administration Fee**).

**8.7 Suspension of payment**

- (a) Without prejudice to any other right or remedy that may be available to the Participating Agency, the Participating Agency may suspend payment of all or any part of the Charges if the CoE has notified the Provider that the Provider is in Material Breach, until that Material Breach is remedied.
- (b) If the Material Breach is not capable of remedy the Participating Agency and the Provider agree to treat the Charges as being in dispute and clause 14 will apply.

**9. Warranties**

**9.1 General warranties**

Each party represents, warrants and undertakes that:

- (a) it has full power, capacity and authority to execute, deliver and perform its obligations under this Consultancy Services Order;
- (b) it has, and will continue to have, all the necessary consents, permissions, licences and rights to enter into and perform its obligations under this Consultancy Services Order; and
- (c) this Consultancy Services Order constitutes its legal, valid and binding obligations and is enforceable in accordance with its terms.

**9.2**

**Provider's warranties**

The Provider represents, warrants and undertakes that:

- (a) it will perform its obligations under this Consultancy Services Order with due care, skill, promptness and diligence at all times;
- (b) it has, and will have throughout the Term, sufficient Personnel to supply the Services and to perform its other obligations under this Consultancy Services Order;
- (c) it, and each of its Personnel engaged in the performance of the Services, has, and will have throughout the Term, the necessary expertise and all necessary governmental, regulatory or other approvals, permissions, consents, licences, qualifications, accreditations and requirements to provide the Services and perform its other obligations under this Consultancy Services Order;
- (d) it will comply with the requirements of all Laws as they relate to the provision of Services by the Provider;
- (e) the possession or use of any item of Intellectual Property supplied or licensed by it, or the use of any item of Intellectual Property by it to perform its obligations under this Consultancy Services Order, will not infringe the rights of any third party;
- (f) all Documentation (and any other information or advice supplied by it to the Participating Agency) and any information and data reported to the CoE will be accurate, complete and (as applicable) Fit for Purpose;
- (g) there are no existing agreements, undertakings or arrangements which prevent it from entering into this Consultancy Services Order, or which would impede the performance of its obligations under this Consultancy Services Order, or that it would breach by entering into this Consultancy Services Order;
- (h) it is not (and nor is any of its Personnel) a party to any litigation, proceedings or disputes which could adversely affect its ability to perform its obligations under this Consultancy Services Order; and
- (i) it has not offered any inducement in connection with the entering into or

negotiation of this Consultancy Services Order, and will not offer any inducement in connection with the supply of Services to the Participating Agency.

9.3 **Continuous application**

The warranties, representations and undertakings set out in clause 9.2 will be deemed to be given by the Provider continuously throughout the Term.

9.4 **Notification**

Each party will promptly notify the other if at any time during the Term it breaches any of the warranties, representations and undertakings in this clause 9.

9.5 **Other warranties excluded**

All warranties (statutory, express or implied) which are not expressly referred to in this Consultancy Services Order are excluded to the fullest extent permitted by Law.

**10. Confidentiality**

10.1 **Protection of Confidential Information**

- (a) Subject to clauses 10.1(c) and 10.2, the Provider and the Participating Agency will treat as confidential and not disclose to any third party nor use for its own benefit any Confidential Information that is the Confidential Information of the other.
- (b) The Provider will:
  - (i) ensure that all Confidential Information of the Participating Agency (and any backup archives containing such Confidential Information) in the possession or control of the Provider from time to time is kept secure and managed and protected and only disclosed or otherwise dealt with in accordance with this Consultancy Services Order;
  - (ii) not use any Agency Information for its own purposes or for any purposes different from those contemplated by this Consultancy Services Order; and
  - (iii) advise the CoE in writing if any Confidential Information of the Participating Agency will be transferred or stored outside New Zealand before such information is transferred and will confirm that the requirements of this clause 10.1 will be met while such Confidential Information is stored outside New Zealand.
- (c) Clause 10.1(a) does not prevent the disclosure of Confidential Information:
  - (i) if that information was known, or becomes known, to the public through no act or default of the recipient;
  - (ii) that the recipient is required by Law or parliamentary practice (including parliamentary

questions) to disclose, or to a Select Committee or to a Minister of the Crown, so long as the recipient provides notice of the required disclosure promptly upon receipt of notice of the required disclosure (if it is permitted to do so by Law);

- (iii) that was lawfully known to the recipient prior to the date it was received;
- (iv) that becomes available to the recipient from a source other than a party to this Consultancy Services Order, provided that the recipient has no reason to believe such source is itself bound by an obligation of confidence to the person that disclosed that information or is otherwise prohibited under Law from disclosing such information;
- (v) to any Professional Adviser for the purposes of rendering professional services to a party in relation to this Consultancy Services Order;
- (vi) to the extent that such disclosure is authorised by this Consultancy Services Order; or
- (vii) if such disclosure is approved for release with the consent of the party from whom the Confidential Information is first received.

10.2 **Limited disclosure**

- (a) The Provider may, subject to clause 10.2(d), disclose the Confidential Information of the Participating Agency to its Subcontractors, Personnel, Related Entities and Professional Advisers who need to know the same for the sole purpose of enabling the Provider to perform its obligations and exercise its rights under this Consultancy Services Order.
- (b) The Participating Agency may, subject to clause 10.2(d), disclose the Confidential Information of the Provider to its third party suppliers, Personnel and Professional Advisers and any other Participating Agencies (including the CoE) who need to know the same in connection with the Services.
- (c) The Provider will not disclose the Participating Agency's Confidential Information to any of its Subcontractors, Related Entities or Professional Advisers, and the Participating Agency will not disclose the Provider's Confidential Information to any of its third party suppliers or Professional Advisers, unless the recipient has given a written confidentiality undertaking to the disclosing party in terms substantially similar to those set out in this clause 10.
- (d) Any undertaking given pursuant to clause 10.2(c) will be provided to the other party to this Consultancy Services Order on request.

**11. Intellectual Property**

**11.1 Intellectual Property owned by Provider**

- (a) The Participating Agency acknowledges that all:
- (i) Intellectual Property held by the Provider before the Commencement Date;
  - (ii) Intellectual Property developed independently from this Consultancy Services Order by the Provider, and that is not developed, commissioned or created under or in connection with this Consultancy Services Order; and
  - (iii) adaptations and modifications to the Intellectual Property described in clauses 11.1(a)(i) and (ii),

remains the Provider's sole and exclusive property (**Provider IP**).

- (b) To the extent that the Participating Agency needs to use any of the Provider IP to receive the full benefit of the Services, the Provider grants to the Participating Agency a royalty-free, non-exclusive licence (including, if agreed in this Consultancy Services Order, the right to sublicense) to use, copy, modify and distribute during the Term any Provider IP provided to the Participating Agency by or on behalf of the Provider.

**11.2 Intellectual Property owned by Participating Agency**

- (a) The Provider acknowledges that the Participating Agency or its licensor has, and continues to have, sole and exclusive ownership of all Intellectual Property rights in all of the Agency Information together with all adaptations and modifications of such Agency Information (**Pre-contract Participating Agency IP**).
- (b) All Intellectual Property created or developed by the Provider or its employees or Subcontractors in performing the Services and developing the Documentation will be owned by the Participating Agency from the date the Intellectual Property is created or developed (**Post-contract Participating Agency IP**) and, together with the Pre-contract Participating Agency IP, the **Participating Agency IP**.
- (c) If the Provider (or any of its Subcontractors) has under any Law any right in or claim to any of the Participating Agency IP or holds any of the Participating Agency IP, the Provider (by itself and for its Subcontractors):
- (i) assigns to the Participating Agency all of its rights, title and interest in and to the Participating Agency IP from the date it was created or developed; and

- (ii) waives all right of lien or similar rights as may now or later be claimed in the Participating Agency IP; and
- (iii) waives all of its moral rights under Part 4 of the Copyright Act 1994 in the Participating Agency IP,

and the Provider will sign all documents and do all acts and things that are necessary to give effect to this clause 11.2(c).

- (d) To the extent that the Provider needs to use any of the Participating Agency's IP for the purpose of performing its obligations under this Agreement, the Participating Agency grants to the Provider, subject to any written direction given by the Participating Agency, of a royalty-free, non-exclusive, non-transferable licence to use and store the Participating Agency's IP for the sole purpose of performing its obligations under this Consultancy Services Order during the Term.

**11.3 Intellectual Property owned by third parties**

- (a) To the extent that the Provider needs to use any Intellectual Property held or owned by a third party (**Third Party IP**) in performing the Services under this Consultancy Services Order, the Provider will use its best endeavours to obtain the fullest rights of use and licence of that Third Party IP (on terms and at a cost to be agreed with the Participating Agency) as are necessary for the performance of those Services for the benefit of the Participating Agency.
- (b) The Participating Agency acknowledges that the Provider may have limited ability to obtain rights and/or a licence to use any Third Party IP and, where the Provider, using its best endeavours, cannot obtain appropriate rights and/or a licence for the Participating Agency to use that Third Party IP, the warranty in clause 9.2(e) applies.

**12. Liability**

**12.1 Indemnity**

- (a) The Provider will, to the extent permitted by Law, indemnify the Participating Agency against all Losses suffered or incurred by the Participating Agency as a result of any:
- (i) unlawful, malicious or negligent act or omission by the Provider;
  - (ii) personal injury, sickness, death or loss of, or damage to, tangible property due to an act or omission of the Provider; or
  - (iii) any other breach by the Provider of its obligations under this Consultancy Services Order.
- (b) The Provider will, subject to clause 12.1(c), indemnify the Participating Agency against all Losses suffered or incurred by the Participating Agency as a

- result of any claim that the possession or use of any Intellectual Property supplied or licensed by the Provider, or the use of any Intellectual Property used to provide the Services, infringes any third party's rights.
- (c) The Provider will have no liability under clause 12.1(b) to the extent that any IP Claim arises from any:
- (i) modification by the Participating Agency of any item of Intellectual Property supplied or licensed by the Provider without the approval of the Provider;
  - (ii) use by the Participating Agency of Intellectual Property supplied or licensed by the Provider for any purpose disallowed by this Consultancy Services Order or the applicable Intellectual Property licence (but only if the licence has been provided to the Participating Agency prior to such use); or
  - (iii) use of Intellectual Property used to provide the Services if and to the extent that Intellectual Property was supplied by the Participating Agency.
- 12.2 **IP Claims**
- (a) In the event of a claim under clause 12.1(b) (an **IP Claim**):
- (i) the Participating Agency will give the Provider notice of the IP Claim as soon as practicable and, to the extent permissible by Law, permit the Provider (at the Provider's cost) to handle all negotiations for settlement and to control and direct any litigation that may follow (**Control of the IP Claim**);
  - (ii) if the Provider has Control of the IP Claim:
    - (A) the Participating Agency will provide all reasonable assistance to the Provider (at the Provider's cost) in the handling of any negotiations and litigation; and
    - (B) the Provider will keep the Participating Agency informed of the defence or negotiations of the IP Claim and diligently conduct any litigation or negotiations, using competent counsel and in a manner that does not adversely affect the name or reputation of the Participating Agency;
  - (iii) the Provider will not enter into any settlement or compromise in relation to the IP Claim without the prior written consent of the
- Participating Agency (which will not be unreasonably withheld); and
- (iv) the Provider will notify the CoE of the IP Claim, and the outcome within 5 Business Days of the claim being concluded.
- (b) If any IP Claim disrupts the Participating Agency's use or enjoyment of a Service, the Provider will (unless otherwise requested by the CoE), at its own expense and at its option, immediately:
- (i) obtain for the Participating Agency the legal right to continued use of the infringing materials; or
  - (ii) replace, modify or resupply the infringing materials so that there is no further infringement, without adversely affecting the performance or functionality of those materials.
- 12.3 **Maximum liability of Participating Agency**
- In addition to its obligation to pay the Charges, the maximum aggregate liability of the Participating Agency to the Provider under or in connection with this Consultancy Services Order will be, in respect of all Losses, limited to the total Charges paid and payable under this Consultancy Services Order.
- 12.4 **Maximum liability of the Provider**
- The maximum liability of the Provider to the Participating Agency for all Losses under or in connection with this Consultancy Services Order in respect of all claims will not exceed:
- (a) in relation to the sub-categories for which the Provider has been appointed as a Tier 1 Provider, the greater of:
    - (i) 10 times the total Charges paid and payable under this Consultancy Services Order;
    - (ii) \$5,000,000; and
    - (iii) any greater amount or multiple set out in this Consultancy Services Order;
  - (b) in relation to the sub-categories for which the Provider has been appointed as a Tier 2 Provider, the greater of:
    - (i) 10 times the total Charges paid and payable under this Consultancy Services Order;
    - (ii) \$2,000,000; and
    - (iii) any greater amount or multiple set out in this Consultancy Services Order; and
  - (c) in relation to the sub-categories for which the Provider has been appointed as a Tier 3 Provider, the greater of:
    - (i) 10 times the total Charges paid and payable under this Consultancy Services Order;
    - (ii) \$1,000,000; and

- (iii) any greater amount or multiple set out in this Consultancy Services Order.
- 12.5 **No double dipping**  
A party to this Consultancy Services Order (or the CoE acting on behalf of the Participating Agency in accordance with the Services Agreement) cannot recover for the same Loss under both this Consultancy Services Order and the Services Agreement.
- 12.6 **Exclusions on liability**  
The limitations on liability set out in clauses 12.3 and 12.4 will not limit the liability of:
- (a) the Provider under clauses 12.1(a) and 12.1(b) (other than in respect of negligent acts or omissions under clause 12.1(a)(i) and breach by the Provider of its obligations under this Consultancy Services Order under clause 12.1(a)(iii), which are subject to the limitations of liability in clauses 12.3 and 12.4);
- (b) the Provider for any fraudulent act or omission; or
- (c) either party for any breach of confidentiality.
- 12.7 **Categories of loss**
- (a) Irrespective of how liability arises, neither the Provider nor the Participating Agency will, under any circumstances, be liable for any indirect loss or damage (including consequential loss) arising under or in connection with this Consultancy Services Order.
- (b) The Participating Agency will not, under any circumstances, be liable for any loss of profits or loss of revenue suffered by the Provider in connection with this Consultancy Services Order.
- 12.8 **Force majeure**
- (a) The Provider and the Participating Agency will not be liable to the other for any failure to perform its obligations under this Consultancy Services Order during the time and to the extent that such performance is prevented, wholly or substantially, by reason of any Force Majeure Event.
- (b) The party subject to the Force Majeure Event (the **non-performing party**) must:
- (i) notify the other party as soon as practicable after the Force Majeure Event occurs and provide full information concerning the Force Majeure Event, including the extent of its inability to perform, an estimate of the time likely to be required to overcome the Force Majeure Event and the steps the non-performing party will take to comply with clauses 12.8(b)(ii) and 12.8(b)(iii);
- (ii) use all reasonable endeavours to mitigate and remedy the effect of the Force Majeure Event and
- minimise the impact of the event on the other party; and
- (iii) use all reasonable endeavours to perform its obligations under this Consultancy Services Order as far as is practicable,
- and the Participating Agency will not be required to pay Charges to the extent that the Provider fails to perform its obligations to the Participating Agency due to a Force Majeure Event.
- (c) If the non-performing party affected by the Force Majeure Event is the Provider, the Participating Agency may, to the extent that any Service requested by the Participating Agency under this Consultancy Services Order has not been delivered and delivery has, or will be, delayed by the Force Majeure Event, terminate this Consultancy Services Order, by notice to the Provider within five Business Days following receipt by the Participating Agency of notice of the Force Majeure Event, at no cost to the Participating Agency, subject to the Participating Agency paying for Services delivered up to the date of the Force Majeure Event.
- 12.9 **Insurance**
- (a) During the Term and for a period of two years following the termination of this Consultancy Services Order, the Provider will, at its own expense, ensure that it maintains adequate insurance in respect of its potential liability for loss or damage under this Consultancy Services Order in accordance with Industry Best Practice, but as a minimum the Provider must hold:
- (i) professional indemnity insurance;
- (ii) public liability insurance in respect of the Services provided under this Consultancy Services Order; and
- (iii) other insurance to cover standard commercial risks (including in respect of Documentation which is the property of the Participating Agency and in the Provider's possession or control).
- (b) The Provider will, at the Participating Agency's request, promptly provide satisfactory evidence that it has complied with its obligations in this clause 12.9.
- 13. Dispute resolution**
- 13.1 **Dispute**  
In the event of any dispute, difference or question arising out of, or in connection with, this Consultancy Services Order or its formation (a **dispute**):
- (a) the Participating Agency and the Provider will each use its best efforts to

- resolve the dispute through good faith negotiations and informal dispute resolution techniques, and will continue to perform its obligations under this Consultancy Services Order as far as possible as if the dispute had not arisen, pending final settlement of the dispute; and
- (b) neither the Participating Agency nor the Provider will commence any formal proceedings relating to the dispute unless it has complied with clause 13.2.

**13.2 Escalation**

- (a) The Participating Agency and the Provider will each advise its respective Representative (or equivalent person) of a dispute on the day that the dispute arises.
- (b) The Representatives will use their best efforts to resolve the dispute in accordance with clause 13.1(a).
- (c) If the dispute is not resolved:
- (i) within 10 Business Days, the dispute will be escalated to senior representatives of the Provider and the Participating Agency with delegated authority to resolve the dispute; and
- (ii) in relation to the sub-categories for which the Provider has been appointed as a Tier 1 and Tier 2 Provider, within a further 10 Business Days, the dispute will be escalated to the CoE's Manager, All-of-Government Contracts and the Provider's Chief Executive.

**13.3 Mediation**

- (a) If a dispute is not resolved under clause 13.2, either party may, by written notice to the other, refer the dispute to mediation, or they may agree in writing to refer the dispute to mediation.
- (b) The mediation will be conducted by a single mediator in accordance with the terms of the Resolution Institute Standard Mediation Agreement and at a fee to be agreed by the parties.
- (c) If the parties fail to agree on the identity of the mediator and/or the mediator's fee within five Business Days of referral of the dispute to mediation, the mediator will be chosen, and the mediator's fee determined, by the chairperson for the time being of Resolution Institute (or his or her nominee).

**13.4 Urgent relief**

Nothing in this clause 13 will preclude either party from taking immediate steps to seek urgent relief before a New Zealand court.

**14. Termination**

**14.1 Termination of Consultancy Services Order**

The Participating Agency may terminate this Consultancy Services Order:

- (a) for convenience by giving the Provider at least one month's prior written notice;
- (b) by notice to the Provider with immediate effect on the date of termination specified in that notice, if the Provider commits a Material Breach which is:
- (i) not capable of being remedied (and, for the avoidance of doubt, paragraphs (a) and (b) of the definition of "Material Breach" are deemed incapable of being remedied); or
- (ii) capable of being remedied but which is not remedied to the satisfaction of the Participating Agency within 10 Business Days following the date of receipt by the Provider of the Participating Agency's notice of the Material Breach;
- (c) in accordance with clause 4.1(e) (Conflict of Interest); or
- (d) in accordance with clause 12.8(c) (Force Majeure Event).

**14.2 Consequences of termination or expiry**

- (a) In the event of termination or expiry of this Consultancy Services Order, the Participating Agency will not be obliged to make any payment to the Provider except for any Charges payable for Services supplied pursuant to this Consultancy Services Order before the effective date of expiry or termination.
- (b) Termination or expiry will not, unless otherwise provided in this Consultancy Services Order, affect:
- (i) any rights and remedies available to either party which have accrued up to and including the date of termination or expiry; and
- (ii) the provisions of this Consultancy Services Order which expressly, or by their nature, survive termination or expiry, including clauses 15 (Entire agreement), 10 (Confidentiality), 11 (Intellectual Property), 12 (Liability), 13 (Dispute Resolution), 14.2 (Consequences of termination or expiry) and 16 (General) and Schedule 1 (Definitions);
- (iii) the continued application of clauses of the Services Agreement which expressly, or by their nature, are intended to continue to apply to this Consultancy Services Order after termination or expiry of this Consultancy Services Order, including clauses 1.4 (Precedence) and 15 (Audit).
- (c) After expiry or termination of this Consultancy Services Order for any reason, each party will, within five Business Days of receiving notice from

the other party, return all Documentation, Confidential Information or other property belonging to the other party (or destroy such Confidential Information, if requested), except if such Documentation, Confidential Information or other property is required to be retained by any Law.

**15. Entire agreement**

**15.1 Entire agreement**

- (a) This Consultancy Services Order is intended to be read in conjunction with the Services Agreement. The provisions of the Services Agreement (not already included in this Consultancy Services Order) which confer rights, obligations or benefits on the parties or the CoE in respect of this Consultancy Services Order are intended to apply to this Consultancy Services Order.
- (b) Subject to clause 15.1(a), no other terms or conditions, including any conditions of sale, invoices or any other communication not included in this Consultancy Services Order (**Communication**), will be incorporated into this Consultancy Services Order, even if at some later date the other party (including, in the case of the Participating Agency) signs or otherwise purports to accept those terms and conditions or the terms of that Communication.
- (c) For the avoidance of doubt, and without limiting clauses 15.1(a) and 15.1(b):
  - (i) any Communication which is expressed or intended to operate as an indemnity, warranty, representation, undertaking, condition or other term of such a nature is hereby disappplied and excluded from this Consultancy Services Order; and
  - (ii) any part of this Consultancy Services Order which describes the nature, scope, price or manner of delivery of Services will, subject to clause 15.1(c)(i), form part of this Consultancy Services Order, but only to the extent that it does not conflict with any other part of this Consultancy Services Order.

**16. General**

**16.1 Interpretation**

The rules of interpretation set out in clause 19.1 of the Services Agreement apply to this Consultancy Services Order.

**16.2 Relationship of the parties**

Nothing expressed or implied in this Consultancy Services Order will be deemed to constitute either party as the partner, agent, or joint venturer of the other party.

**16.3 Costs**

A party who has an obligation to do anything under this Consultancy Services Order will perform that obligation at its own cost, unless a

term of this Consultancy Services Order expressly provides otherwise.

**16.4 Assignment**

Neither party may assign, novate, transfer or otherwise dispose of the whole or any part of its rights and obligations under this Consultancy Services Order without first obtaining the other party's consent (which will not be unreasonably withheld or delayed).

**16.5 Public disclosures**

Subject to clause 10, all public disclosures by the Provider relating to this Consultancy Services Order, including the fact of its existence (but not including any announcement intended solely for internal distribution or any disclosure required by legal, accounting or regulatory requirements), will be co-ordinated with, and must first be approved in writing by, the Participating Agency prior to release.

**16.6 Notices**

- (a) Unless otherwise specified in this Consultancy Services Order, each notice or other communication under this Consultancy Services Order will be made in writing and delivered by post, personal delivery or email to the addressee at the addressee's postal address, physical address or email address (as applicable) and marked for the attention of the person or office holder (if any) from time to time designated for that purpose by the addressee.
- (b) The Provider's postal address, physical address and email address is set out in the Provider Database and may be amended by the Provider at any time.
- (c) The Participating Agency's postal address, physical address and email address is as notified by the Participating Agency to the Provider and may be amended by the Participating Agency at any time.
- (d) A notice or other communication will be deemed to be received:
  - (i) in the case of a letter sent to the addressee's postal address, on the third Business Day after posting;
  - (ii) in the case of personal delivery, on receipt; and
  - (iii) in the case of an email, at the time the email leaves the communications system of the sender, provided that the sender:
    - (A) does not receive any error message relating to the sending of the email at the time of sending; and
    - (B) has obtained confirmation that the email has been delivered to the recipient (which confirmation may be in the form of an automated delivery receipt from the

communications system of the recipient),

on the Business Day on which it is dispatched or, if dispatched after 5 p.m. (in the place of receipt), on the next Business Day after the date of dispatch.

**16.7 Severability**

If any term or provision of this Consultancy Services Order is held to be illegal, invalid or unenforceable it will be severed from this Consultancy Services Order without affecting the legality, validity or enforceability of the remaining provisions.

**16.8 Waiver**

- (a) Neither party will be deemed to have waived any right under this Consultancy Services Order unless the waiver is in writing and signed by the parties.
- (b) Any failure or delay by a party to exercise any right or power under this Consultancy Services Order will not operate as a waiver of that right or power.
- (c) Any waiver by a party of any breach, or failure to exercise any right, under this Consultancy Services Order will not constitute a waiver of any subsequent breach or continuing right.

**16.9 Remedies cumulative**

Except as is expressly stated otherwise in this Consultancy Services Order:

- (a) the rights, powers and remedies provided in this Consultancy Services Order are cumulative and are not exclusive of any rights, powers or remedies provided by Law or under this Consultancy Services Order; and
- (b) the exercise of any rights, powers and remedies provided in this Consultancy Services Order will not preclude the exercise of any other right, power or remedy under this Consultancy Services Order or existing at Law.

**16.10 Counterparts**

This Consultancy Services Order may be signed in two counterparts, each of which will be deemed an original, but both of which together are to constitute a single instrument.

**16.11 Governing law and jurisdiction**

- (a) This Consultancy Services Order is governed by, and will be construed in accordance with, the laws of New Zealand.
- (b) Subject to clause 13, each party irrevocably submits to the exclusive jurisdiction of the New Zealand courts for the purpose of hearing and determining any dispute under, or in connection with, this Agreement.

**SCHEDULE 1: DEFINITIONS**

In this Consultancy Services Order, unless the context otherwise requires:

**Administration Fee** means the amount referred to in clause 8.6;

**Agency Information** means all:

- (a) information and records belonging to the Participating Agency that are supplied to or collected by the Provider for the purpose of enabling the Provider to perform its obligations under this Consultancy Services Order;
- (b) compilations of data created by a Participating Agency or the Provider for the purposes of this Consultancy Services Order; and
- (c) legal names, logos, trademarks, brands or images of the Participating Agency, including all related Intellectual Property of the Participating Agency and the New Zealand Coat of Arms or any other coat of arms or emblem used by the Participating Agency,

but excluding the Provider's working papers;

**Annexure** means any document physically attached to a Schedule and identified as such and any other document incorporated by reference in any part of this Consultancy Services Order (other than an Annexure);

**Appointment Letter** means the letter issued to the Provider by the CoE, as amended or reissued from time to time, confirming (among other things) the Provider's appointment as an All-of-Government provider of consultancy services and detailing the terms and conditions of the appointment (including the Services and the applicable Tier(s));

**Business Day** means any day of the year other than a Saturday, a Sunday or a public holiday (as defined in section 44 of the Holidays Act 2003) observed at the location of the Participating Agency;

**Charges** means the amount payable by Participating Agencies for Services and includes Fees and Expenses, as described in Schedule 2 (Pricing) and agreed in this Consultancy Services Order;

**CoE** means the Ministry of Business, Innovation and Employment, the Centre of Expertise for Consultancy Services;

**Commencement Date** is the date on which this Consultancy Services Order is signed by both parties or, if two dates, the later date;

**Confidential Information** means:

- (a) all information and trade secrets already communicated or subsequently communicated under or in connection with this Consultancy Services Order, including information obtained during the negotiation of this Consultancy Services Order or in the performance of this Consultancy Services Order and information on the Provider Database;
- (b) any information about the business or property of either party including any information:
  - (i) relating to the financial position of that party;
  - (ii) concerning that party's suppliers and customers; or
  - (iii) relating to that party's internal management, structure, Personnel or strategies;
- (c) the terms of this Consultancy Services Order; and
- (d) Agency Information;

**Conflict of Interest** means any matter, circumstance, interest or activity of the Provider, its Personnel or Subcontractors, arising by whatever means that directly or indirectly conflicts with:

- (a) the duties of the Provider and any of its Personnel or Subcontractors to the Participating Agency; or
- (b) the interests of the Participating Agency in relation to this Consultancy Services Order or otherwise in respect to the provision of consultancy services to the Participating Agency either before or after the Commencement Date;

or otherwise impairs or might appear to impair the ability of the Provider (or any of its Personnel or Subcontractors) to provide the Services to the Participating Agency under this Consultancy Services Order diligently, independently, impartially and in the best interests of the Participating Agency;

**Consultancy Services Order** means this service order relating to the supply of Services issued by the Participating Agency;

**Contract Quarter** means a period of three consecutive months commencing on 1 January, 1 April, 1 July or 1 October;

**Control** means, in relation to the Provider or any ultimate or intermediate holding company or Holding Entity of the Provider, the power to:

- (a) manage, directly or indirectly, the operation of the business; or
- (b) control, directly or indirectly, the composition of the board of directors or board of management or equivalent governing body,

of the Provider or such ultimate or intermediate holding company or Holding Entity, whether through the ownership of voting securities, by contract or otherwise, and for these purposes "holding company" will have the same meaning as in section 5 of the Companies Act 1993;

**Documentation** means all advice, communications, documentation (including information on the Provider Database) and reports (whether in paper, electronic, audio or audio-visual format) relating to, or provided as part of, the Services together with additions, modifications to, and replacements of, that documentation, but excludes the Provider's working papers;

**Estimate** means an estimate of the total Charges for the Services required by the Participating Agency;

**Expense** means any actual and reasonable out-of-pocket costs incurred by the Provider in the delivery of the Services and agreed to in this Consultancy Services Order, and includes any freight and related costs, travelling and incidental expenses and other costs, disbursements, fees, charges and expenses directly or indirectly incurred by the Provider;

**Fees** means the amount payable by the Participating Agency to the Provider for its time spent delivering the Services calculated on the basis of the Rates, excluding Expenses;

**Fit for Purpose** means, in relation to any Service or Documentation to be provided by the Provider to the Participating Agency, that such Services or Documentation are, in descending order of priority, fit for the purpose(s):

- (a) expressly made known in writing by the Participating Agency to the Provider (including in this Consultancy Services Order); or
- (b) for which the Provider, given its knowledge of the Participating Agency and understanding why the

Services or Documentation are required, has reason to expect such Services or Documentation to be used;

**Force Majeure Event** means an event or circumstance beyond the reasonable control of either party which makes it impossible or illegal to perform, or prevents compliance with, or the performance of, a party's obligations under this Consultancy Services Order, including:

- (a) fire, floods, tsunami, storms, tempest, earthquake or other act of God;
- (b) any act of a public enemy, war, riot, or act of civil or military authority;
- (c) nuclear, chemical or biological contamination; and
- (d) subject to paragraph (g) of this definition, any act of a third party engaged in subversive or terrorist activity or sabotage,

but does not include an event to the extent that:

- (e) the effect of that event could have been substantially prevented, avoided or overcome or mitigated by:
  - (i) implementation of any contracted business continuity or disaster recovery service, or any contingency plans agreed between the parties or which a party has represented it has in place; or
  - (ii) exercising a reasonable standard of care; or
  - (iii) using information provided by the other party or which is available in the public domain; or
- (f) it is an event for which the party affected is or was directly responsible; or
- (g) that event is constituted or caused by any act or omission of Personnel or a Subcontractor unless and to the extent that the Personnel or Subcontractor was itself affected by an event, which if it occurred in relation to either party would have been a Force Majeure Event; or
- (h) that event is constituted or caused by an Insolvency Event or the insolvency of a Subcontractor or lack of funds for any reason;

**GST** means goods and services tax under the Goods and Services Tax Act 1985;

**Holding Entity** means a trust, unit trust, partnership, limited partnership, unincorporated joint venture or other body corporate or unincorporated body of persons that Controls the Provider, and includes any natural person that Controls the Provider;

**Industry Best Practice** means the high professional standard that would reasonably be expected from a prudent and experienced provider of consultancy services in New Zealand having regard to market practice at the relevant time;

**Insolvency Event** means, in relation to the Provider:

- (a) the presentation of an application for its liquidation that is not discharged within 30 days of its filing or which is not demonstrated to the Participating Agency prior to the expiry of that 30 day period as being an application that is frivolous or vexatious;
- (b) any step taken in or toward the making of any compromise, proposal or deed of arrangement with all or some of its creditors;
- (c) the appointment of a liquidator, receiver, statutory manager, administrator or similar official, to it;
- (d) the suspension or threatened suspension by it of the payment of its debts;

- (e) cessation by it of a whole or any relevant part of its business in New Zealand;
- (f) the enforcement of any security against the whole or a substantial part of its assets; or
- (g) any other insolvency event or proceedings analogous to any of the foregoing occurring in any relevant jurisdiction;

**Intellectual Property** means copyright, all rights in relation to inventions (including patents), registered and unregistered trademarks, registered and unregistered designs, trade or other proprietary rights or rights derivative of those rights (including licence rights) anywhere in the world as well as any other rights in intellectual property which are recognised or protected under Law;

**Law** means:

- (a) any statute, regulation, bylaw, ordinance or subordinate legislation in force from time to time to which a party is subject;
- (b) the common law and the law of equity as applicable to the parties from time to time;
- (c) any binding court order, judgment or decree;
- (d) any applicable industry code of practice or conduct, convention, policy, rule or standard to which a party is bound; or
- (e) any applicable direction, policy, permission, consent, licence, rule or order that is binding on a party and that is made or given by any governmental or regulatory body having jurisdiction over a party or any of that party's assets, resources or business,

in any jurisdiction that is applicable to this Consultancy Services Order;

**Losses** means liabilities, expenses, losses, damages and costs (including legal costs on a full indemnity basis);

**Material Breach** means any material breach by the Provider of the terms of this Consultancy Services Order or the occurrence of any event having a material effect on the ability of the Provider to perform its obligations under this Consultancy Services Order (other than a Force Majeure Event), including:

- (a) the occurrence of an Insolvency Event in relation to the Provider or the likely occurrence of an Insolvency Event;
- (b) the occurrence of a change in Control of the Provider or any ultimate or intermediate holding company or Holding Entity of the Provider that the CoE has not previously approved (acting reasonably);
- (c) any representation or warranty made by the Provider in terms of this Consultancy Services Order being found to be untrue or incorrect; and
- (d) any failure on the part of the Provider to comply with, observe or perform any of the terms of this Consultancy Services Order in circumstances where that contract breach or that contract breach together with other contract breaches is considered by the Participating Agency on reasonable grounds to cause the Provider to be unable or unwilling, or be likely to be unable or unwilling, to perform its obligations under this Consultancy Services Order;

**Maximum Rates** means the maximum Rates payable to the Provider for providing the Services, as recorded in the Provider Database, excluding Expenses;

**Panel** means the All-of-Government panel of providers who provide consultancy services to Participating Agencies,

including any sub-panel, as detailed on [www.procurement.govt.nz](http://www.procurement.govt.nz);

**Participating Agency** means the Participating Agency that is a party to this Consultancy Services Order;

**Participating Agencies** means each of the CoE and every other Eligible Agency that is a party to the memorandum of understanding between the CoE and all other Participating Agencies relating to the management of their relationship with each other and with the Provider in relation to the Services, as amended from time to time;

**Personnel** includes partners, principals, directors, employees, agents, officers and individual independent contractors;

**Professional Adviser** means any accounting, legal, procurement or technical professional;

**Provider Database** means the IT platform described in Schedule 7 (Provider Database) to the Services Agreement;

**Quote** means a fixed price, capped price or other pre-agreed basis for establishing the Charges for Services required by the Participating Agency where the Provider is prevented from increasing the Charges without the prior written consent of the Participating Agency;

**Rates** means the rates (whether hourly, daily or weekly or other time-related basis) payable to the Provider for providing the Services, determined in accordance with Schedule 2 (Pricing), excluding Expenses;

**Related Entity** means a related company under the Companies Act 1993 (New Zealand) or a related body corporate under the Corporations Act 2001, provided that any reference in the Companies Act 1993 to a "company" is deemed to include any partnership, body corporate, association or other entity, whether corporate or unincorporated, irrespective of the place of incorporation or registration of that partnership, body corporate, association or other entity;

**Representative** has the meaning given in paragraph 3.1 of Schedule 5 (Governance) to the Services Agreement;

**Service Level** means a required standard for the Provider's performance of its obligations under this Consultancy Services Order, as described in Schedule 3 (Performance Measurement);

**Service Level Default** means a failure by the Provider to meet one or more Service Levels;

**Services** means the consultancy services provided from time to time under the terms of this Consultancy Services Order;

**Services Agreement** means the All-of-Government services agreement relating to the supply of Tier 1 and 2 consultancy services between the CoE and the Provider;

**Subcontractor** means any person to whom the Provider has subcontracted any part of its obligations under this Consultancy Services Order or who is a supplier to the Provider in respect of this Consultancy Services Order and includes the employees and subcontractors of that person and **Subcontract** will be construed accordingly;

**Term** means the period commencing on the date that this Consultancy Services Order is signed by both parties and ending on the earlier of:

- (a) the date on which the Services are completed in accordance with this Consultancy Services Order; and
- (b) the date on which this Consultancy Services Order is terminated in accordance with its terms; and

**Tiers** means any of **Tiers 1** and **Tiers 2** for which members of the Panel are appointed and, in respect of the Provider, means the Tier(s) the Provider is appointed to as detailed in the Appointment Letter.

**SCHEDULE 2: PRICING**

**1. Introduction**

This Schedule sets out general principles underlying the Charges.

**2. Principles**

**2.1 Participating Agency will only pay for Services ordered**

- (a) The Provider will invoice the Participating Agency for the Charges in accordance with clause 8.3 of this Consultancy Services Order.
- (b) The Participating Agency will only pay for Services that it orders in accordance with this Consultancy Services Order.

**2.2 No minimum volume**

The Participating Agency is not required to meet a minimum aggregate expenditure or volume level for any Services.

**2.3 No interest**

No interest will be payable on any amount due to the Provider under this Consultancy Services Order.

**2.4 Rates**

- (a) The Fees are calculated on the Rates, being either the Rates that are recorded on the Provider Database or, subject to paragraph 3, a different Rate as negotiated between the Provider and Participating Agency and recorded in this Consultancy Services Order.
- (b) The Maximum Rates are the maximum amounts payable by the Participating Agency for the Services.

**3. Charges**

The Charges payable by the Participating Agency for Services must not include any Fees invoiced at Rates higher than the Maximum Rates recorded in the Provider Database.

**SCHEDULE 3: PERFORMANCE MEASUREMENT**

**4. Introduction**

This Schedule describes, in relation to the sub-categories for which the Provider has been appointed as a Tier 1 and Tier 2 Provider:

- (a) the Service Levels; and
- (b) how performance against Service Levels will be measured and reported.

**5. Service Levels**

**2.1 Format**

Each Service Level is described in Annexure A using the following format:

Parameter	Description
Description	Description of what the Service Level will measure
Purpose	Why it is important to Participating Agencies that the Service Level is met
Calculation	Method for calculating the Service Level
Service Level	The performance standard that the Provider is required to meet or exceed

**2.2 Service Levels must be met**

- (a) At all times during the Term, the Provider will, in relation to the sub-categories for which the Provider has been appointed as a Tier 1 and Tier 2 Provider, perform its obligations to meet or exceed the Service Levels.
- (b) The Provider acknowledges that any failure to meet the Service Levels may have a significant impact on the Participating Agency.

**2.3 Changes to Service Levels**

- (c) From time to time during the Term, the CoE and the Provider may negotiate in good faith to add, delete or modify then-existing Service Levels to reflect changes in the Participating Agencies' requirements or objectives.
- (d) Any changes to Service Levels will be effected in accordance with clause 10 of the Services Agreement.

**6. Performance measurement**

**3.1 Failure to meet Service Levels**

If the Provider fails to achieve one or more of the Service Levels in any Contract Quarter in respect of this Consultancy Services Order, it will:

- (a) take such steps and do all things necessary, as soon as possible, to correct the failure; and
- (b) notify the Participating Agency of the reasons for the failure and the steps that the Provider is taking to ensure that the failure is not repeated; and
- (c) consider whether the Charges for the Services that are subject to the Service Level Default should be reduced to reflect the lower value of the Services provided.

**Annexure A: Service Levels**

<b>Parameter</b>	<b>1. Services Fit for Purpose</b>
Description	Were the Services subject to this Consultancy Services Order Fit for Purpose?
Purpose	To ensure Services provided are Fit for Purpose.
Calculation	The Participating Agency will advise whether the Services are Fit for Purpose as part of the Agency Satisfaction Survey.
Service Level	100% of Services delivered to the Participating Agency must be Fit for Purpose.

<b>Parameter</b>	<b>2. Timely Performance of Services</b>
Description	Did the Provider perform the Services subject to this Consultancy Services Order within the timeframe recorded in this Consultancy Service Order (or as amended by agreement from time to time)?
Purpose	To ensure on-time provision of Services requested under a Consultancy Services Order.
Calculation	The Provider is required to report on this metric as part of the reporting requirements in Schedule 6 (Reporting) to the Services Agreement.
Service Level	The Provider must deliver all Services subject to this Consultancy Services Order within the agreed timeframe for delivery recorded in this Consultancy Services Order including any variation to the timeframe recorded in Part D of this Consultancy Services Order.

<b>Parameter</b>	<b>3. Services Performed to budget</b>
Description	Were the Charges for the Services subject to this Consultancy Services Order within the Estimate or Quote recorded in this Consultancy Services Order?
Purpose	To ensure Services requested under a Consultancy Services Order are performed on or under the Provider's Estimate or Quote.
Calculation	The Provider is required to report on this metric as part of the reporting requirements in Schedule 6 (Reporting) to the Services Agreement.
Service Level	The Provider must deliver all Services subject to this Consultancy Services Order within the agreed Estimate or Quote recorded in this Consultancy Services Order including any variation to the Estimate recorded in Part D of this Consultancy Services Order.

---

**From:** Harrison Steiner-Fox <Harrison.Steiner-Fox@parliament.govt.nz>  
**Sent:** Friday, 17 June 2022 1:37 pm  
**To:** Siobhan Duncan [TSY]  
**Cc:** Andrea Gluyas; Alastair Shelton; Dasha Leonova [TSY]; Michala Beacham  
**Subject:** RE: Insurance availability and price monitoring

Kia ora Siobhan,

Thank you for turning this one around so quickly!

I think this addresses the key questions. I think he will be quite interested in the test run and hopefully this will get him across the line once he sees the insights this new data will give us.

I'll let you know if I get any feedback.

Ngā mhi,  
Harrison

---

**From:** Siobhan Duncan [TSY] [mailto:Siobhan.Duncan@treasury.govt.nz]  
**Sent:** Friday, 17 June 2022 1:19 PM  
**To:** Harrison Steiner-Fox <Harrison.Steiner-Fox@parliament.govt.nz>  
**Cc:** Andrea Gluyas <AGluyas@eqc.govt.nz>; Alastair Shelton <AShelton@eqc.govt.nz>; Dasha Leonova [TSY] <Dasha.Leonova@treasury.govt.nz>; Michala Beacham <MBeacham@eqc.govt.nz>  
**Subject:** RE: Insurance availability and price monitoring

Kia ora Harrison,

Thanks for the discussion yesterday on the insurance price monitoring work. As discussed – here is some info for you to discuss with the Minister.

#### **What information is currently available**

At present - there is no public data source that would enable us to determine whether a given property is insured, and how much that insurance costs. Our policy advice to date has been supported by a combination of information provided in confidence by insurers, information about Wellington multi-unit buildings (MUBs, e.g. apartment buildings) provided by property managers, anecdotal evidence from property owners, and some high level information from Statistics New Zealand.

While EQC now collects insurers' Exposure Data under the Natural Disaster Response Model there are currently limitations on sharing this information outside of EQC. EQC is working with insurers to amend the Data Agreement so that insights derived from this data can be shared. There is, as yet, no timeframe for when this change may be agreed.

#### **Work to monitor insurance prices**

The work we are doing set out below will significantly increase our understanding of the insurance market.

#### **Why the work does not currently include insurer specific information**

As set out below – EQC have partnered with Finity who is an independent actuarial and analytical consulting firm to prepare this information. EQC partnered with Finity because as an expert in the insurance field and through their industry relationships, they have access to the back end of insurers websites which allows them access to

information that other firms would not be able to access. Asking to see insurer specific data may jeopardise Finity's privileged access to insurer systems. We will however be able to understand availability of insurance, average price, and where available, an indication of the variability of pricing; just not pricing details specific to a particular insurer.

We are unaware of any firms that would have the ability to provide insurer specific pricing data. We cannot rule out the possibility that it is possible for a different contractor to access this information – however we can foresee some significant challenges they would need to overcome.

### Next steps

We are working towards building a baseline of data before 1 October which will allow us to understand high level impacts of the cap increase around the country and across zones exposed to different perils. Before this – we will also prepare a “test run” so we can make sure the information we get is as useful as it can be. We will report to the Minister on this information and he will have the opportunity to engage in the work.

While it would be challenging to incorporate insurer specific data at this point – we plan to regularly maintain our understanding of the market. We expect this process to be iterative and we can adapt this work over time.

If the Minister finds he still wants to explore options to accessing private insurer information he could look at ways to compel the data from insurers, including through a com com market study.

We suggest we focus on setting up a baseline of information prior to the cap increase as set out below. This will be able to support a discussion with the Minister about what the information tells us about the effectiveness of the cap change on total insurance spend and insurance take-up. We can use that as an opportunity to then discuss his ambition for the work.

You suggested yesterday that I send the email below to insurers on Monday once you have had to opportunity to talk to the Minister. I will send it on Monday afternoon 😊

Cheers,  
Siobhan

---

**From:** Siobhan Duncan [TSY]  
**Sent:** Friday, 29 April 2022 3:42 pm  
**To:** Harrison Steiner-Fox <[Harrison.Steiner-Fox@parliament.govt.nz](mailto:Harrison.Steiner-Fox@parliament.govt.nz)>  
**Cc:** Andrea Gluyas <[AGluyas@eqc.govt.nz](mailto:AGluyas@eqc.govt.nz)>; Alastair Shelton <[AShelton@eqc.govt.nz](mailto:AShelton@eqc.govt.nz)>; Dasha Leonova [TSY] <[Dasha.Leonova@treasury.govt.nz](mailto:Dasha.Leonova@treasury.govt.nz)>; Michala Beacham <[MBeacham@eqc.govt.nz](mailto:MBeacham@eqc.govt.nz)>  
**Subject:** Insurance availability and price monitoring

Kia ora Harrison,

As I mentioned yesterday on the phone, Treasury will be emailing insurers/ stakeholders next week to give them a heads up about the work we are doing to monitor insurance prices following a cap increase.

### Work on monitoring insurance prices

The Minister signalled in the EQC Cap Cabinet paper that Treasury would monitor insurance pricing following a cap increase.

EQC is engaging Finity Consulting, an independent actuarial and analytical consulting firm to assist with price monitoring in the lead up to, and after the cap change is introduced. The purpose of this exercise is three-fold:

- To understand and measure the affordability of insurance, especially in areas impacted by natural perils
- To monitor the availability of insurance in those same areas; and

- To understand the change in the total residential insurance spend of New Zealand

Finity will undertake the price monitoring by collecting quote data for a basket of policies via Finity's FinQuote service, and delivering analysis, reports. Treasury will work with Finity and EQC to use this information to report to the Minister on the findings.

### **Conflict of interest**

As consultants to a wide range of insurers and reinsurers in the New Zealand and Australian markets, Finity often encounters situations which may give rise to conflicts of interest. Finity has processes in place to manage these conflicts. Finity considered potential conflicts for this work, as they currently offer pricing advice to direct insurers in New Zealand. To manage any risks/ perceived conflicts they have had individual discussions with key personnel within each insurer and have explained EQC's reasons for monitoring market pricing over this period of change. The data provided to Treasury and EQC will be provided at industry level, with no reference to individual insurers.

### **Talking points**

We will send the below email to insurers to give them a heads up. If insurers raise this work with the Minister, we suggest that he say:

- Evaluating the effectiveness of a government policy is good practice and this monitoring work is the sensible next step in the policy process
- Having a better understanding of insurance prices can support our wider understanding of how insurance markets are functioning

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### **Email to insurers**

The government announced last year that from 1 October 2022 the monetary cap on EQC residential building cover will increase from \$150,000 to \$300,000 per dwelling. Thank you for your ongoing engagement on insurance issues. This email is to update you on how we intend to monitor changes to the availability and pricing of insurance following this change.

As we set out in our [advice to Ministers](#), an increase in the cap is expected to spread the impacts of granular risk-based pricing. This will support more affordable insurance in regions that are considered to have higher seismic risk. It is less clear how other perils, such as changes in flood risk, may impact on the costs of and availability of insurance. We also understand that insurers pricing models include a range of factors other than natural hazard cover (for example building inflation and reinsurance costs).

Treasury intend to monitor how insurance uptake and prices change following a cap increase to support the Government's understanding of how the policy intervention has affected prices. EQC is supporting the data collection for the monitoring work programme because of their specialist skills and understanding of the insurance market. As a part of this process, EQC is engaging Finity Consulting to help us monitor the impact of the cap increase on insurance pricing and availability, including through use of their FinQuote service.

Finity will work with EQC and Treasury to develop ongoing reports that provide a high level view on insurance affordability by regions as well as tracking insurance prices across time. Finity has considered any conflicts and risks and hashed a plan for mitigating these. Mainly – the data provided to Treasury and EQC will be provided at industry level, with no reference to individual insurers.

You do not have to do anything. If you have any questions about this work, you are welcome to contact us to discuss further.

Ngā mihi  
Siobhan

**Siobhan Duncan** | Team Leader, Earthquake Commission Policy | **Te Tai Ōhanga – The Treasury**

Tel: s9(2)(k) Email: [Siobhan.Duncan@treasury.govt.nz](mailto:Siobhan.Duncan@treasury.govt.nz)

Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

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**From:** Andrea Gluyas <AGluyas@eqc.govt.nz>  
**Sent:** Monday, 20 June 2022 3:37 pm  
**To:** Jo Horrocks; Alastair Shelton; Siobhan Duncan [TSY]  
**Cc:** Michala Beacham; Scott McHardy; Ineke Fergusson  
**Subject:** FW: Property report  
**Attachments:** 2206 EQC Profile Selection.pdf

Hi everyone

Here's a report from Finity outlining their proposed property selections and methodology for the upcoming cap change monitoring work. Please let me know if you have any comments or concerns, otherwise they will starting the data collection in the next day or so.

Many thanks

Andrea

**Andrea Gluyas** | Head of Risk Modelling  
**Earthquake Commission** | *Kōmihana Rūwhenua*  
DDI: s9(2)(k) | Mobile: s 9(2)(g)(ii) Wellington  
[www.eqc.govt.nz](http://www.eqc.govt.nz)



**Our mission:** To reduce the impact on people and property when natural disasters occur.

---

**From:** Sarah Elsey <Sarah.Elsey@finity.com.au>  
**Sent:** Monday, 20 June 2022 11:42 am  
**To:** Simon Young <Simon.Young@finityconsulting.co.nz>; Andrea Gluyas <AGluyas@eqc.govt.nz>  
**Cc:** Brett Kim <Brett.Kim@finityconsulting.co.nz>  
**Subject:** RE: Property report

CAUTION: This email originated from outside of the organisation. Do not click links or open attachments unless you recognise the sender and know the content is safe.

Thank you for your patience Andrea! Please see attached (Simon has given his okay).

As discussed, we have added tsunami addresses in Wellington and liquefaction risks in Hawke's Bay. You might notice a slight change in the flood maps as well, because we added surface water shading. We have also included tables describing our selections for each peril.

Please let me know if you or your colleagues have any feedback? I will be in touch shortly to set up a time to discuss reporting requirements.

Best regards,

Sarah

Ngā mihi | Regards  
Sarah Elsey



**Phone** s9(2)(k)  
**Mobile** s 9(2)(g)(ii)  
**Email** [Sarah.Elsey@finity.com.au](mailto:Sarah.Elsey@finity.com.au)

---

**From:** Simon Young <[Simon.Young@finityconsulting.co.nz](mailto:Simon.Young@finityconsulting.co.nz)>  
**Sent:** Monday, 20 June 2022 6:02 AM  
**To:** Andrea Gluyas <[AGluyas@eqc.govt.nz](mailto:AGluyas@eqc.govt.nz)>; Sarah Elsey <[Sarah.Elsey@finity.com.au](mailto:Sarah.Elsey@finity.com.au)>  
**Subject:** RE: Property report

I've been on leave and looks like there is a few outstanding questions in my inbox for me to address. Should be worth you in the next day or so.

Ngā mihi | Regards

Simon Young



**Ph NZ.** +s9(2)(k)  
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**Mobile.** + s 9(2)(g)(ii)  
**Email.** [simon.young@finityconsulting.co.nz](mailto:simon.young@finityconsulting.co.nz)  
**Pronouns.** he/him

---

**From:** Andrea Gluyas <[AGluyas@eqc.govt.nz](mailto:AGluyas@eqc.govt.nz)>  
**Sent:** Sunday, 19 June 2022 2:28 PM  
**To:** Simon Young <[Simon.Young@finityconsulting.co.nz](mailto:Simon.Young@finityconsulting.co.nz)>; Sarah Elsey <[Sarah.Elsey@finity.com.au](mailto:Sarah.Elsey@finity.com.au)>  
**Subject:** Property report

**CAUTION:** This email originated from outside of the organisation. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hello

Just checking in as I don't appear to have received the report you mentioned summarising the property picks – but I have been having problems with my inbox so wanted to check I hadn't missed it! No problem if you are still working on it!

Many thanks  
Andrea

**Andrea Gluyas** | Head of Risk Modelling  
**Earthquake Commission** | *Kōmihana Rūwhenua*  
DDI: s9(2)(k) | Mobile: s 9(2)(g)(ii) Wellington  
[www.eqc.govt.nz](http://www.eqc.govt.nz)



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\*\*\*\*\*  
\*\*\*\*\* This email message (along with any attachments) is intended only for the addressee(s) named above. The information contained in this email is



# EQC Monitoring Profile Selections Update

Finity Consulting

10 June 2022

This report has been completed solely for the benefit of EQC for the purposes of documenting the process for selecting the profiles underlying the insurance monitoring project. The reader's attention is drawn to the Reliances and Limitations set out at the end of these slides.



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## General Overview

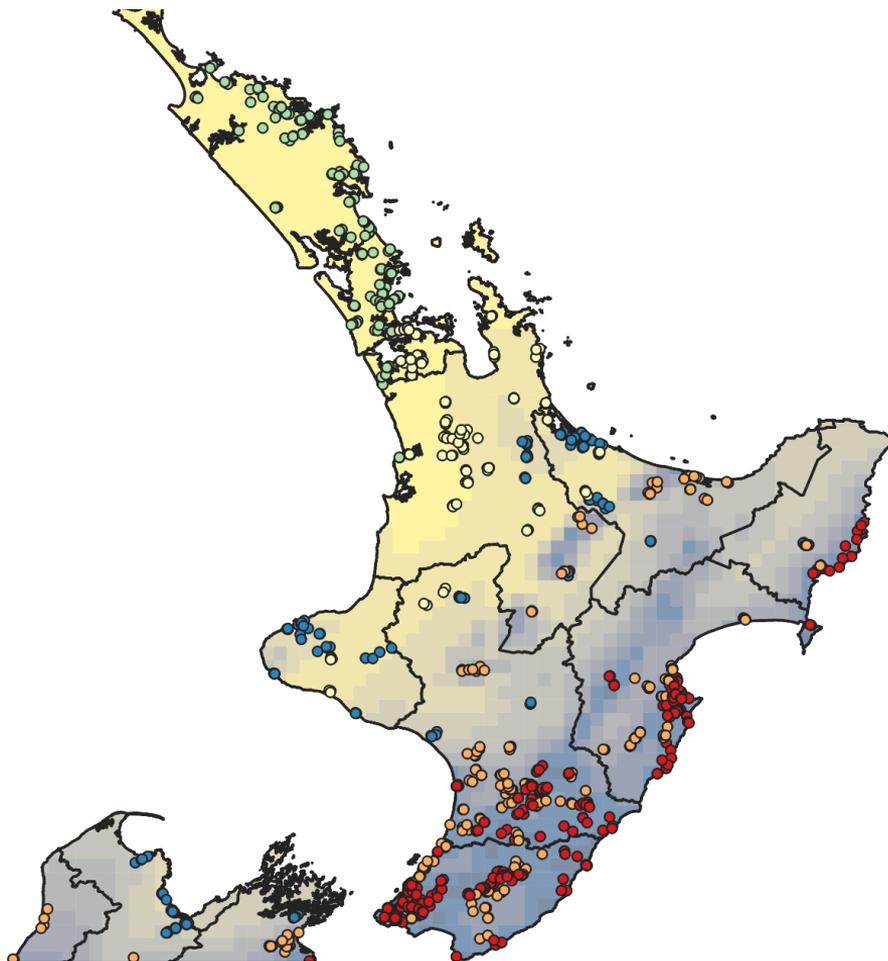
- These slides document the selection of the 2,000 profiles that will underpin the insurance monitoring project

Section	Samples	Objective	Regions
Seismic	1,400	Obtain a view of the market response to the EQC cap change measured by the affordability and availability of insurance, and the change in total insurance spend. Samples are stratified by location with a greater focus on higher risk locations. Seismic sample is based on expected PGAs from the National Seismic Hazard Model (NHSM).	Nationwide
Liquefaction	200	Identify pockets of availability and affordability issues caused by each respective risk. Samples are stratified by suburb (region for landslip) and sample numbers are weighted toward higher risk locations. Data for each respective risk (with the exception of flood risk, which uses a reputable flood model) was retrieved from publicly available regional council sources.	Hawke's Bay, Wellington and Canterbury
Flood	200		Known flood areas across NZ
Tsunami	150		Nationwide
Landslip	50		Nationwide
<b>Total Samples</b>	<b>2,000</b>		

## Seismic risk samples

- Seismic data in the form of Peak Ground Acceleration (PGA) from the National Seismic Hazard Model (NSHM) was overlaid on NZ residential addresses.
- Continuous PGA values were categorized into a five categorical levels consisting of none, low, moderate, high, and very high.
- Samples were selected based on a combination of postcode/suburb and seismic risk, in order to maximize geographic coverage across New Zealand while maintaining a minimum number of samples in each selected postcode.
- Sample numbers were weighted toward high and very high seismic risk locations in order to identify those areas where insurance affordability and availability would be most affected.

Region	Seismic Risk					
	None	Low	Moderate	High	Very High	
Northland	82					82
Auckland	64	28				92
Waikato	4	79	16	12		111
Taranaki		8	32			40
Bay of Plenty		12	32	28		72
Gisborne			4	8	22	34
Manawatu-Wanganui		4	12	100	67	183
Hawke's Bay				44	67	111
Wellington				56	144	200
Tasman			28	8	10	46
Marlborough			4	16	7	27
West Coast				36	37	73
Canterbury		4	106	60	39	209
Otago			38	28		66
Southland		15	28	4	7	54
	<b>150</b>	<b>150</b>	<b>300</b>	<b>400</b>	<b>400</b>	<b>1400</b>

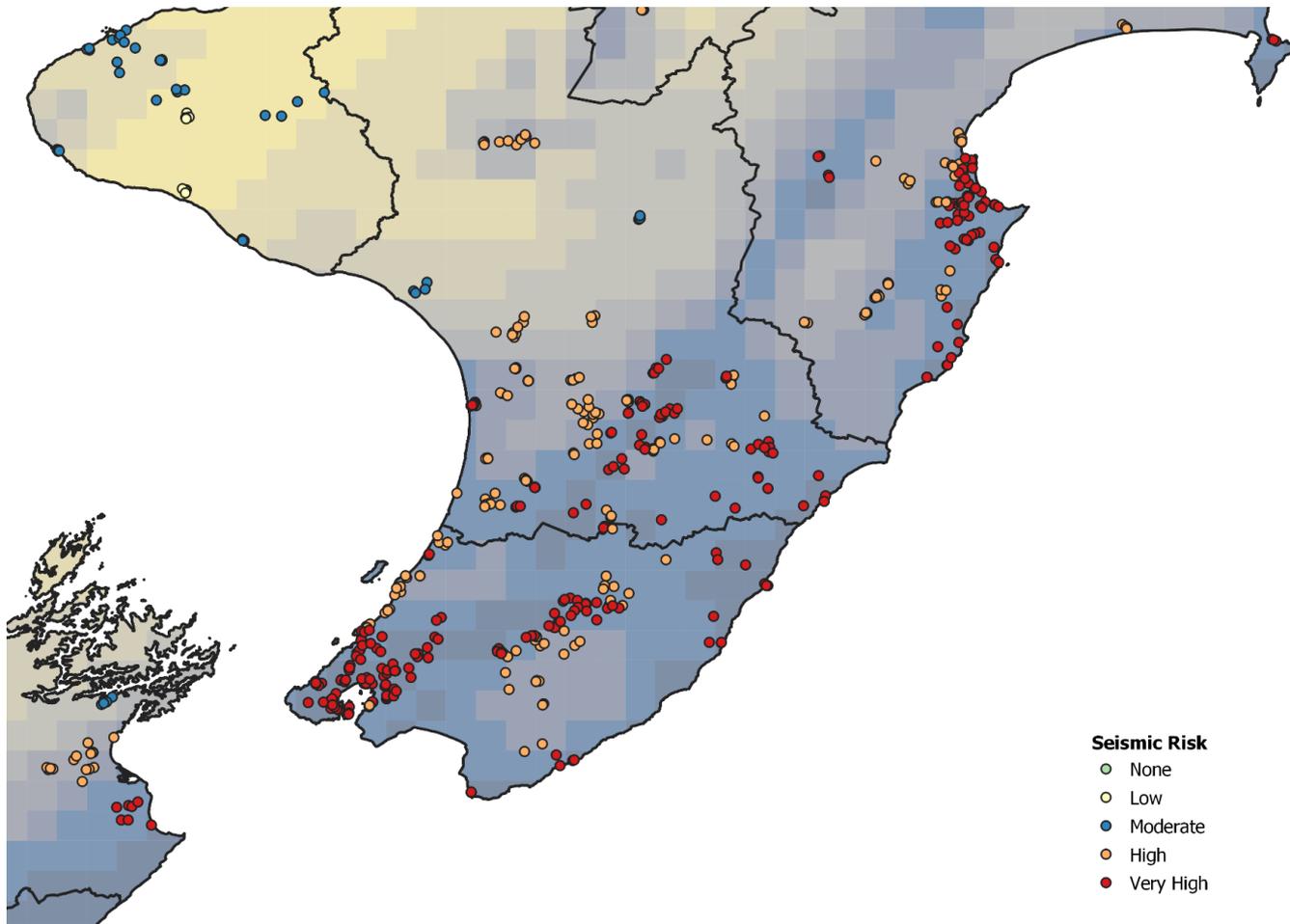


### Seismic Samples – North Island

- Wellington, Hawke's Bay and South Manawatu makes up a large portion of high seismic samples.
- Some focus was given around the middle of the North Island which has high seismic risk, in particular, Ohakune and Stratford were targeted to capture volcanic risk.

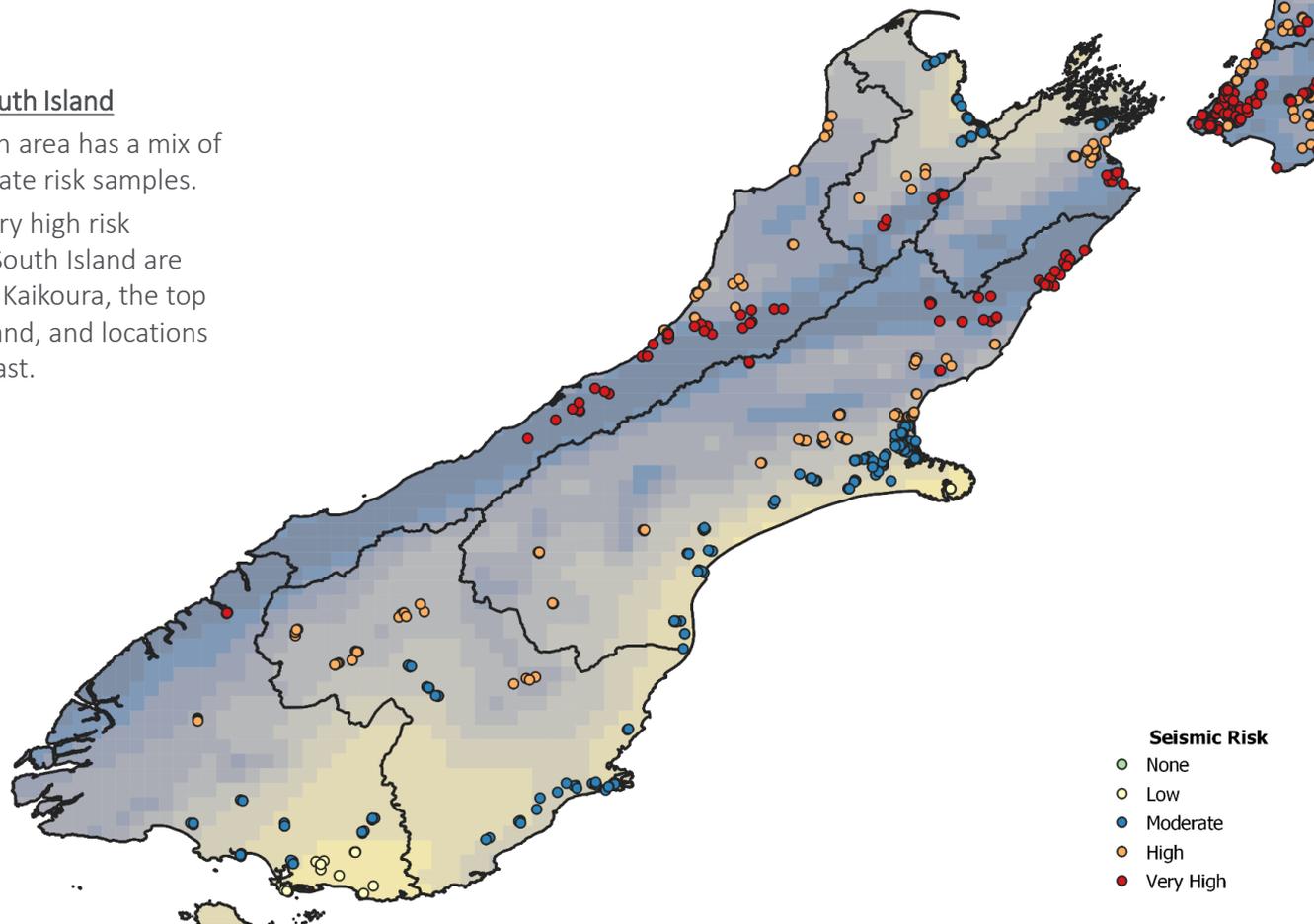
#### **Seismic Risk**

- None
- Low
- Moderate
- High
- Very High



### Seismic Samples – South Island

- The Christchurch area has a mix of high and moderate risk samples.
- The high and very high risk samples in the South Island are focused around Kaikoura, the top of the South Island, and locations on the West Coast.



## Flood risk samples

- Flood samples were selected among known flood areas across New Zealand. Samples were selected on the basis of greater weighting toward higher flood risk locations.
- Flood risk was calibrated from a reputable flood model. The risk is measured by the Average Return Interval (ARI) separated into an ARI for riverine and surface water flooding. These are the isolated effects of each risk, and the Flood ARI is a blended view of riverine and surface water flooding.
- Lower Flood ARIs indicate greater risk.
- A secondary factor taken into consideration was selection of locations within a mixture of defended and undefended areas for where data was available.

Town/City	Flood ARI				
	20	50	100	200	
Kaeo	2	2	2	1	<b>7</b>
Hamilton	2	1	1	1	<b>5</b>
Thames	4	2	2	1	<b>9</b>
Edgecumbe	8	4	4	2	<b>18</b>
Whakatane	5	4	2	2	<b>13</b>
Whanganui	2	1	1	1	<b>5</b>
Palmerston North	4	3	2	2	<b>11</b>
Gisborne	2	1	1	1	<b>5</b>
Hastings	2	1	1	0	<b>4</b>
Nelson	4	3	3	2	<b>12</b>
Blenheim	6	4	2	1	<b>13</b>
Westport	4	4	2	2	<b>12</b>
Christchurch	8	7	5	5	<b>25</b>
Leeston	2	0	2	1	<b>5</b>
Mosgiel	4	4	2	2	<b>12</b>
Timaru	2	1	1	1	<b>5</b>
Wanaka	4	2	4	0	<b>10</b>
Dunedin	3	4	2	1	<b>10</b>
Invercargill	8	5	4	2	<b>19</b>
	<b>76</b>	<b>53</b>	<b>43</b>	<b>28</b>	<b>200</b>

s9(2)(b)(i)



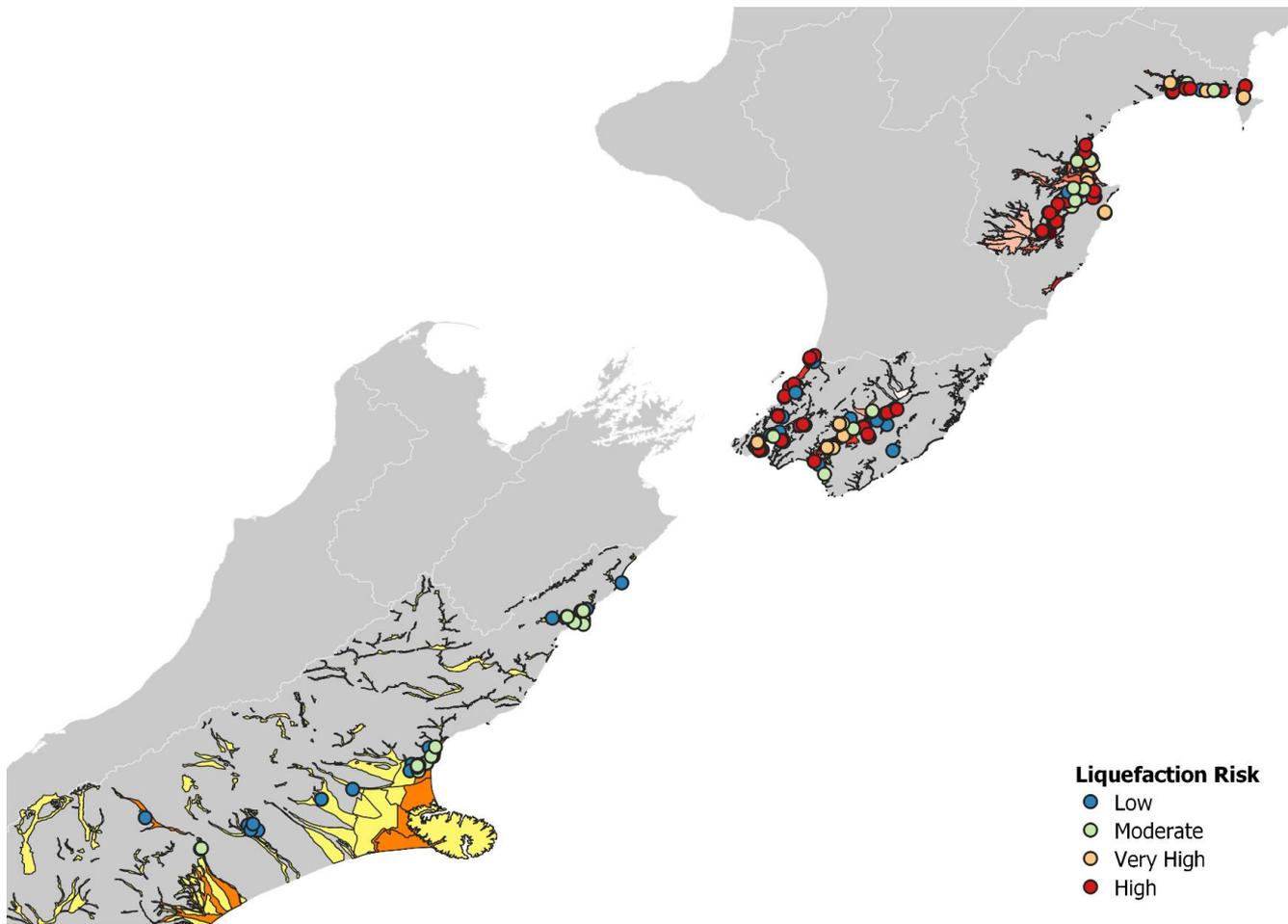
s9(2)(b)(i)



## Liquefaction risk samples

- Liquefaction data comes from local government studies which have identified geologically young, sandy soils sitting below the water table.
- Typical definitions are as follows:
- Moderate: Embankments slumped, ground settlement of up to 0.2m, 10-20% of area affected.
- High: Some large fissures and slumping, ground settlement of up to 0.5m, 20-50% of area affected.
- Very high: Widespread lateral spreading, extensive fissures, settlement of up to 1.0m, more than 50% of the area affected.

	Low	Moderate	High	Very High	
Hawke's Bay	9	18	19	26	<b>72</b>
Wellington	13	14	56	13	<b>96</b>
Canterbury	13	19			<b>32</b>
	<b>35</b>	<b>51</b>	<b>75</b>	<b>39</b>	<b>200</b>

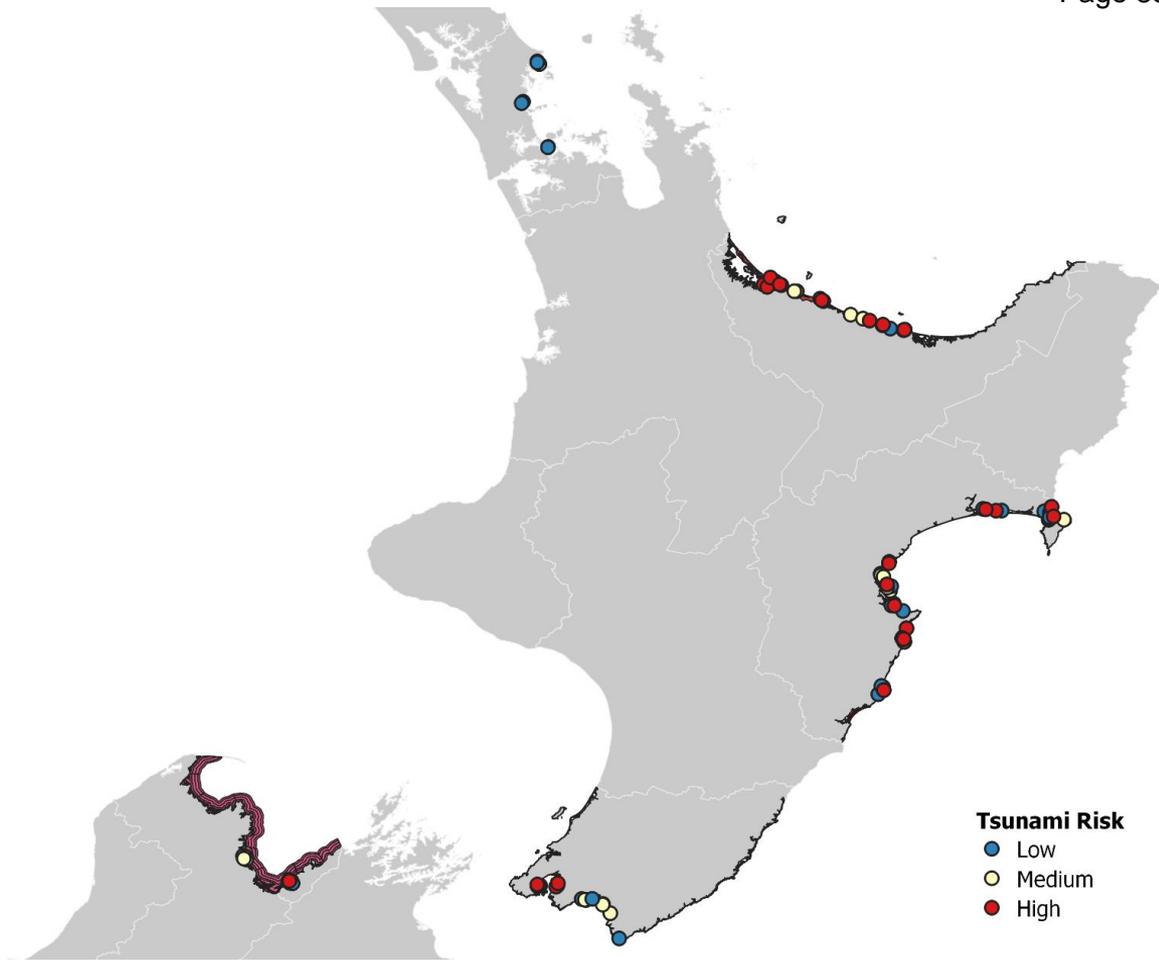


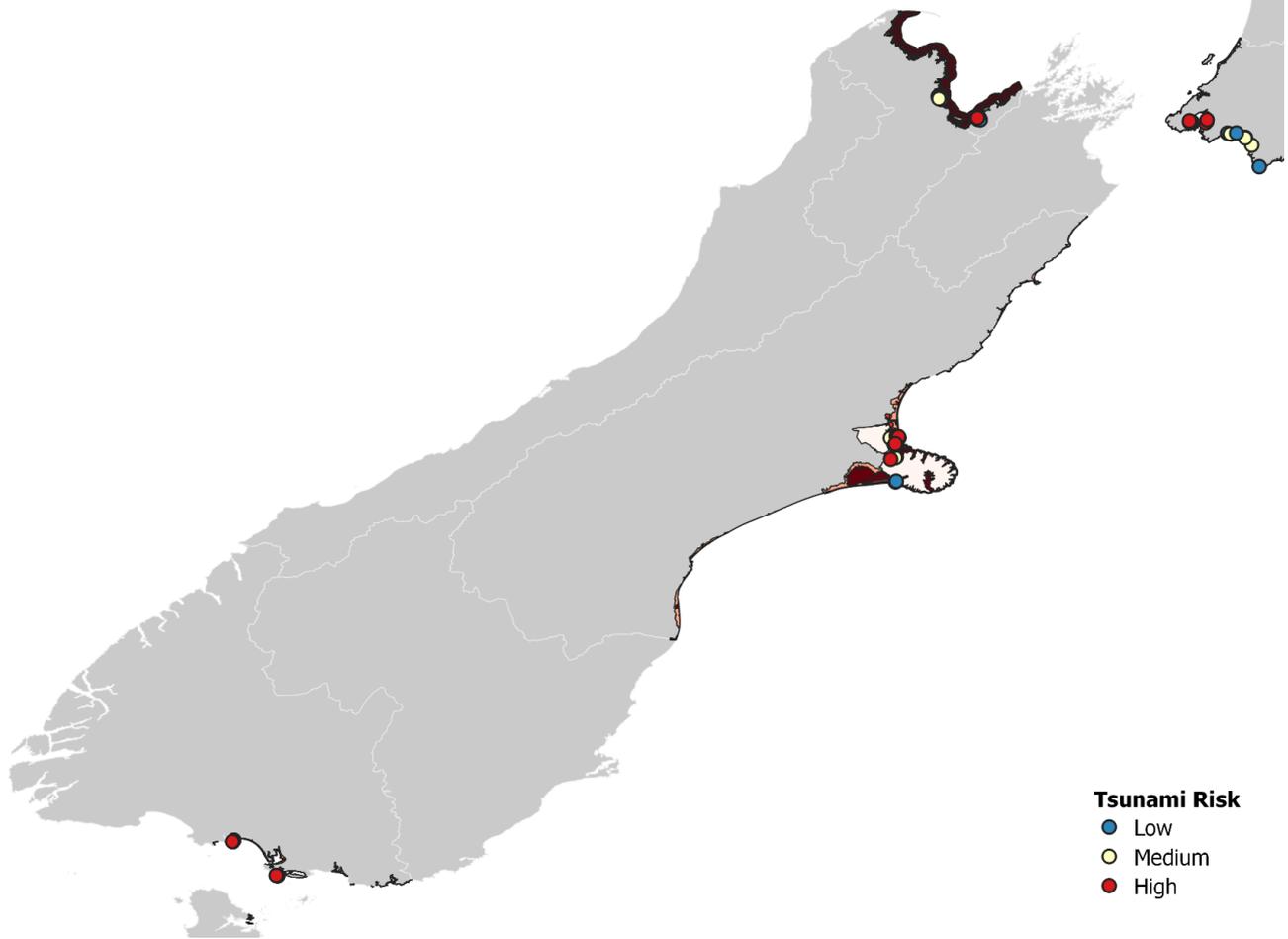
## Tsunami risk samples

Tsunami risk was taken from local council evacuation maps. Practice varies between councils, but red zones correspond to the highest shoreline risk, eg:

- Bay of Plenty:
  - Red zone: Highest spring tide + 10m inland
  - Orange zone: From red zone to a 4m or 5m tsunami wave (depending on location)
  - Yellow zone: From orange zone to expected maximum extent, being a 6.75m or 8.25m tsunami wave
- Wellington:
  - Red zone: Wave heights to 1.2m/100 year return period
  - Orange zone: Wave heights to 5m/500 year return period
  - Yellow zone: PML/2,500 year return period corresponding to a Mw 9.0 earthquake on the Hikurangi Subduction Zone

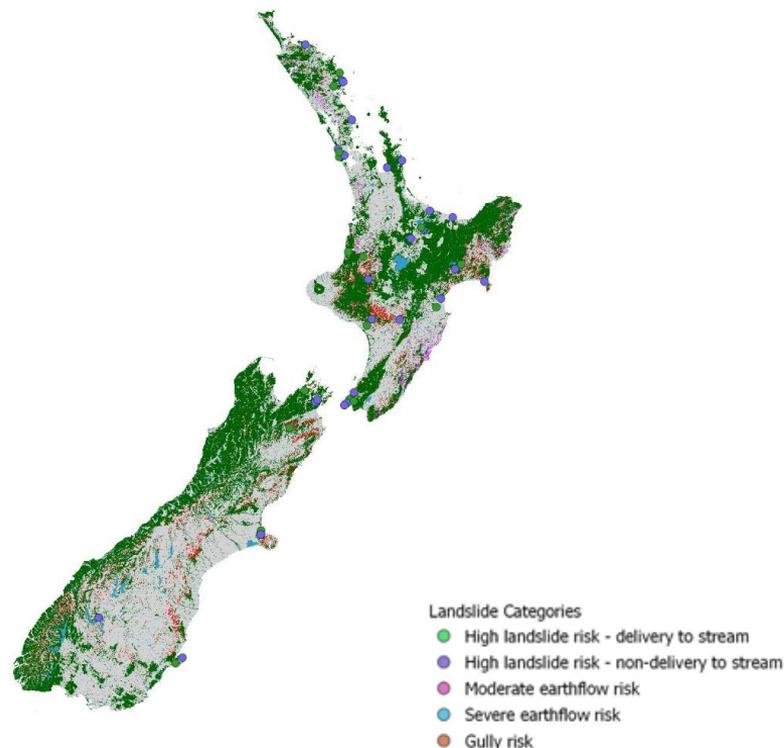
	Yellow	Orange	Red	
Auckland	3	4		<b>7</b>
Bay of Plenty	2	12	16	<b>30</b>
Hawke's Bay	17	16	22	<b>55</b>
Wellington	6	8	4	<b>18</b>
Nelson	2	2	3	<b>7</b>
Tasman	2	3		<b>5</b>
Canterbury	6	8	7	<b>21</b>
Southland		3	4	<b>7</b>
	<b>38</b>	<b>56</b>	<b>56</b>	<b>150</b>

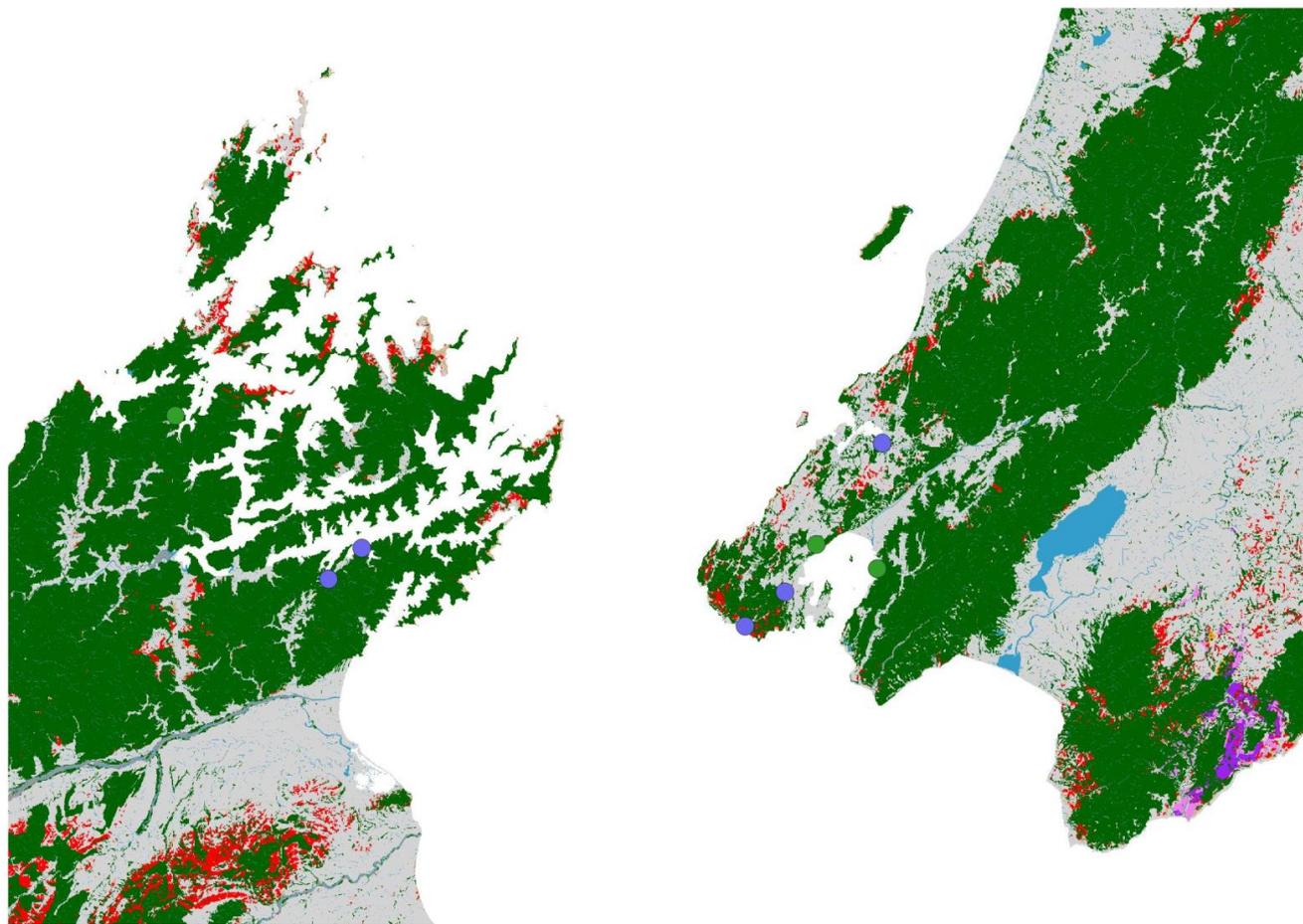




## Landslide risk samples

- Here we are referring to the shallow and sudden failure of soil slopes during storms (as opposed to landslip following earthquake). Our data comes from Landcare Research.
- New Zealand has 5% of land classified as highly erodible.
- Most of the risk is in the North Island due to clearance of forest. In the South Island erosion is due to natural processes (steep slopes and high rainfall).
- There are five categories of landslide risk. We have selected from the first two categories only. There are only 2,700 residential addresses exposed to these two categories in New Zealand.
- We have ignored 'earthflow risk' and 'gully risk'. The former is the slow downward movement of wet soil slopes (1m/yr) and the latter is massive soil erosion commencing at gully heads and expanding up hillsides over decades.





## Next Steps

Action	When
Append non-location rating factors (sum insured, construction material, year of construction)	Work has commenced. Complete by 21/6/22.
Format profiles in FinQuote format for collection	Work has commenced. Complete by 21/6/22.
Collect	Fortnight commencing 22/6/22
Specify reporting requirements	Fortnight commencing 22/6/22
Draft report for discussion	Mid-July
Agree profile composition and report format	Early-August

## Contact details



[finity.com.au](http://finity.com.au)



**Simon Young**

Principal

s9(2)(a)



T: s9(2)(k)

M: + s 9(2)(g)(ii)

T: s9(2)(k)

M: s 9(2)(g)(ii)

T: s9(2)(k)

M: s 9(2)(g)(ii)

## Distribution & Use

This presentation is being provided for the sole use of the Earthquake Commission (EQC) for the purpose of documenting the process for selecting the profiles that will underpin the insurance monitoring project.

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**From:** Andrea Gluyas  
**Sent:** Tuesday, 21 June 2022 10:56 am  
**To:** Simon Young  
**Subject:** Body corporates

Hi Simon

Siobhan got in touch about body corporates and we tossed around some suggestions on how we will monitor insurance pricing and availability for these. What do you think about potentially adding a specific survey to the work programme for them? I think that it would help to describe and assess the market, and might be a better source of data, if it was thought to be a manageable addition to the workload?

Keen to hear your thoughts.

Regards  
Andrea

**Andrea Gluyas** | Head of Risk Modelling  
**Earthquake Commission** | *Kōmihana Rūwhenua*  
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**Our mission:** To reduce the impact on people and property when natural disasters occur.

## File Note

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From Simon Young, Finity

Date 19 July 2022

Subject Summary of Finity Insurance Price Monitoring Proposal to EQC, 1 March 2022

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Addressed to: Andrea Gluyas, Head of Risk Modelling, Earthquake Commission

## 1 Background and Your Requirements

The EQC cap on claims for residential dwellings will be doubled from \$150,000 to \$300,000 beginning 1 October 2022, with an accompanying increase in the maximum EQC levy from \$300 to \$480 (ex GST).

Insurers (and their reinsurers) will need to assess how the new EQC cover affects their reinsurance pricing and retained risk. It is expected that savings will be passed on to consumers, however, the full extent of the savings may not be known for several years.

Our understanding is that EQC would like assistance with price monitoring in the lead up to, and after the change is introduced. The purpose of this exercise is three-fold:

- To understand and measure the affordability of insurance, especially in areas impacted by natural perils<sup>1</sup>
- To monitor the availability of insurance in those same areas; and
- To understand the change in the total insurance spend of New Zealander across all sources of cost: private insurance premium, EQC levy, FSL, GST.

We would undertake the price monitoring by collecting quote data for an appropriate basket of policies via Finity's FinQuote service, and delivering analysis, reports and support to EQC as you navigate through this complex period of change.

## 2 Proposed Solution

### 2.1 Scope

The scope of the contract is divided into three components:

- Initial specification of profiles to be collected;
- Regular collection of quotes against the profiles, and updates to the profiles over time; and
- Analysis and reporting.

#### Initial specification of profiles

Together with EQC and Treasury, Finity will specify 2,000 Buildings insurance profiles to run through our FinQuote service. The profiles will be designed to:

- Provide greater depth of data in geographies of most interest to the EQC and Treasury.

<sup>1</sup> Clarification – the initial focus will be on premiums, and we don't plan to create a true affordability measure at this stage

- Separately consider perils such as earthquake, coastal flooding and riverine flooding. (e.g. 1,500 profiles for EQ, 100 coastal flood, etc...)<sup>2</sup>
- Have a range of building characteristics, broadly representative of the New Zealand building stock.

Notably the profiles are specified at an address level, so particularly in areas of high flood risk there will be considerable effort to ensure the addresses have the desired level of perils exposure.

Finity will estimate a weight for each profile such that the profiles can be combined to estimate the total insurance spend in New Zealand. For example Auckland profiles will likely get a higher weight as we are unlikely to have a market representative proportion of profiles in Auckland. High perils-risk regions will likely get a lower weight as we would specify more profiles in these regions to understand the variation in risk such that the profiles are over represented relative to the market.

We recommend regular updates of profiles as they rapidly become outdated through:

- Building cost inflation increasing sums insured
- Model improvements changing views of risk areas
- Property development changing the built environment and addressing

## Collection of Quotes

Finity will collect Buildings insurance quotes for the 2,000 profiles specified from the following insurance websites:

- AA (Underwritten by AA Insurance)
- State (IAG)
- AMI (IAG)
- Tower (Tower)
- TradeMe (Tower)
- ANZ (Vero)
- AMP (Vero)

Some insurers do not quote online, or operate a broker-based model. These modes of delivery comprise a minority of the New Zealand market<sup>3</sup> and it is much more difficult to capture information on offline pricing.

However, there is concern that direct insurers might manage high risk exposures by withdrawing the ability to quote online. Finity will attempt to address this issue by spending up to 5 hours per collection undertaking a sample of phone quotes in locations where we are unable to collect online quotes. The purpose of these phone quotes is to understand:

- Whether the insurer is willing to quote at all, or is merely not quoting through their online channels; and
- If there is a clear indication that the insurer is putting a price loading or additional underwriting controls on the area

We highlight that the phone quotes will serve to assist the more qualitative commentary around the data provided, but in itself will not greatly enhance the data provision piece.

<sup>2</sup> Final composition of the profiles is: 1,400 seismic, 200 liquefaction, 150 tsunamis, 200 flood (surface and riverine), 50 landslip

<sup>3</sup> Residential personal lines market

In the first year the collection schedule is suggested as follows:

- May 2022<sup>4</sup> – an initial run to determine the suitability of the profiles and prepare the analysis and reporting templates. This run is vital to ensuring that any initial issues in specification or analysis is worked through in advance, because we may not have the chance to resolve issues post October.
- September 2022 – the baseline run prior to the EQC cap change on 1 October 2022.
- October 2022 – the post-EQC cap change run to enable analysis and reporting on insurer movements.
- February 2023 – the start of the ongoing quarterly collection.

We suggest an ongoing quarterly collection frequency to keep track of future price changes. The full effect of changes to the cap may not be felt until many years after implementation.

## Data Provision to EQC

We will provide quote data to EQC in such a way as to ensure anonymity of insurers. The actual format of this provision may have to be revised once the initial data is collected, but our current proposal is outlined below.

At a minimum, price data will be provided at a regional council level of granularity. Where two or more underwriters quote on more than 50% of the profiles we will also provide price data at a suburb level.

The metrics we will provide at each level of granularity are:

- The lower quartile, median, upper quartile and maximum price offered.
- The proportion of profiles with 2 or less insurers quoting (i.e. limited options).

In addition, for every profile we will indicate the number of insurers that have quoted, so that EQC can analyse the data to understand insurance availability in more detail. We will also supply a list of the addresses we have quoted on.<sup>5</sup>

The metrics we provide in the final report may vary if we identify improvements in the May 2022 ‘dry run’.

We reserve the right to further obfuscate data if we deem that individual insurers will be identifiable in the data provided to EQC and will advise you if this is required.

## Analysis and Reporting

Finity will work with EQC and Treasury to develop a standardised reporting template that will be populated at each collection point, according to the schedule described above. We envisage the standardised reporting as providing a high level view on insurance affordability by regions as well as tracking insurance prices across time. The May 2022 collection and report generation will act as a ‘dry run’ to build the reporting, ensure the outputs are fully understood, and that the needs of end users are being met.

In addition to the standard reporting template, and specifically on the October 2022 quote collection, we will provide additional commentary and analysis to understand the price changes insurers have implemented in response to the EQC changes. We will seek to interpret what the price changes observed may mean in terms of each insurer’s approach to pricing for earthquake risk. We highlight that changes in insurance prices may also reflect changes in reinsurance pricing and other changes in insurers’ cost structures. These changes could cloud the cap signal and our assessment will include qualitative analysis to demonstrate and isolate broader market movements.

<sup>4</sup> Actually occurred late June/early July

<sup>5</sup> Note that the parameters of the actual data provision have yet to be agreed, those suggested here are indicative.

## Delivery Dates

The actual format of this provision may have to be revised once the initial data is collected, but our current proposal is outlined below.

Milestone	Est Delivery Date
<b>May 2022:</b> Develop quote profiles, collect quotes, develop initial report.	End June
<b>September 2022:</b> Collect quotes, standardised report	5 <sup>th</sup> working day October.
<b>October 2022:</b> Collect quotes, standardised report, additional analysis	Standard report: 5 <sup>th</sup> working day November Additional Analysis: 15 <sup>th</sup> working day November
<b>Quarterly thereafter:</b> collect quotes, standardised reporting and up to 10 hours of additional analysis	5 <sup>th</sup> working day of the following month

## 2.2 Resourcing

Finitly propose to establish Simon Young as the dedicated manager for the project. Simon is a Principal at Finitly and has extensive pricing experience in the New Zealand market and with the use of insurer price data. Simon has deep relationships with direct insurers in New Zealand.

Finitly would like to support the development of your internal team. We offer flexibility in this regard, and can perform as little or as much of the report development as required, including the ability to offer in-house support on secondment.