

The Treasury

Residential Flood Insurance Issues Information Release

December 2022

This document has been proactively released by the Treasury/Minister of Finance (Hon Grant Robertson)/ Minister Responsible for the Earthquake Commission (Hon Dr David Clark) on the Treasury website at <https://www.treasury.govt.nz/news-and-events/reviews-consultation/residential-flood-insurance-issues>

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- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information, or who is the subject of the information
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- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials
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Treasury Report: Flood insurance: next steps

Date:	3 March 2022	Report No:	T2022/321
		File Number:	SH-11-4-3-4-14-1

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	Agree to the timing of next steps to progress further work on flood insurance alongside broader climate change policy.	7 March 2022
Minister Responsible for the Earthquake Commission (Hon Dr David Clark)		

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Jessica Burns	Senior Analyst, Financial Markets	s9(2)(k)	N/A (mob) ✓
Dasha Leonova	Manager, Financial Markets	s 9(2)(g)(ii)	(mob)

Minister's Office actions (if required)

<p>Return the signed report to the Treasury.</p> <p>Refer a copy of this report to the Minister of Local Government and the Minister of Climate Change.</p> <p>If required, arrange a meeting between the Minister of Finance and the Minister Responsible for the Earthquake Commission.</p>
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Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Flood insurance: next steps

Executive Summary

During the second half of 2021 the Treasury advised the Minister of Finance and the Minister Responsible for the EQC on emerging issues related to access and affordability of flood insurance for residential homes [T2021/1900, T2021/2377 and T2021/2921 refer].

On 15 February 2022 the Minister of Finance wrote to the Minister Responsible for the EQC and noted:

- his preference to progress policy work on flood insurance issues in closer alignment with the wider work on climate adaptation policy, including the National Adaptation Plan (NAP), noting that this may take some time, and

- s9(2)(f)(iv)

On 16 February 2022 the Climate Response Group of Ministers (CRMG) requested:

- the flood insurance work should be coordinated with the development of wider climate change adaptation policy (including by consulting on high level policy questions as part of the public consultation process for the draft National Adaptation Plan (NAP) due to take place in April/May), and
- to report to Cabinet with substantive advice on wider options before selecting a preferred option.

Based on the feedback from Ministers and the resource constraints, we understand the next step is to *examine a full set of options* (including a Flood Re model at a high-level) before Ministers decide whether to proceed with an insurance intervention and the type of intervention. The advice would also provide options on next steps, including seeking decisions on a preferred option(s) and agreement to targeted consultation on the preferred option(s).

We expect to provide substantive advice in August/September 2022. This would allow consultation to be aligned with public consultation on climate change adaptation policies. This consultation is planned to occur from 12 April to 25 May and reflects the direction from the CRMG that work on flood insurance issues should be coordinated with the development of wider climate change adaptation policy (including the National Adaptation Plan). Examples are provided in Annexes 1, 2 and 3.

The Treasury anticipates working up more detailed / developed material for targeted consultation (e.g. descriptions of the potential issues, further examples of the potential options we've identified). For example, we anticipate discussing with insurers more detailed questions regarding a Flood Re model or any other insurance solution that insurers may suggest. We will test this material with your offices once it is developed.

We consider that any expedited approach in the near term s9(2)(f)(iv)

may not be faster overall. s9(2)(f)(iv)

s9(2)(f)(iv)

, s9(2)(f)(iv)

s9(2)(b)(ii) and s9(2)(ba)(i)

Following decisions on this report officials will prepare a Cabinet paper that reflects Ministers' decisions. We recommend that this paper be considered at the same Cabinet meeting as the draft NAP on 6 April (Cabinet Economic Development Committee) and 11 April (Cabinet). Aligning the timing will allow Ministers to see the wider climate adaptation policies alongside the flood insurance work programme.

Recommended Actions

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

Background

- a **note** the Treasury previously advised the Minister of Finance and the Minister Responsible for the EQC on issues related to access and affordability of flood insurance for residential homes [T2021/1900, T2021/2377 and T2021/2921 refer].

Feedback from Ministers

- b **note** flood insurance issues were discussed at the Climate Response Ministers Group (CRMG) meeting on 16 February 2022, and the CRMG requested that:
- the flood insurance work should be coordinated with the development of wider climate change adaptation policy (including by consulting on high level policy questions as part of the public consultation process for the draft National Adaptation Plan (NAP) due to take place in April/May), and
 - to report to Cabinet with substantive advice on wider options before selecting a preferred option.
- c **note** the Minister of Finance wrote to the Minister Responsible for the EQC on 15 February 2022 and noted:
- his preference to progress policy work on flood insurance issues in closer alignment with the wider work on climate adaptation policy, including the National Adaptation Plan (NAP), noting that this may take some time, and
 - s9(2)(f)(iv)
- d **note** the Minister Responsible for the EQC has asked the Treasury to:
- prepare a paper to update the Cabinet Economic Development Committee (DEV) on the flood insurance work programme in advance of Cabinet considering the draft NAP for consultation (currently scheduled for 6 April 2022), and

- focus on progressing the development of a Flood Re model as soon as possible.

Next steps to progress the flood insurance work

- e **note** this paper seeks to clarify and confirm Ministers' expectations for further work on flood insurance issues.
- f **note** there are currently 2.5-3 policy fulltime equivalent staff working on the project that will continue to support it during the engagement and policy development stages throughout 2022 and early 2023 (but there is limited contingency for absences which are likely during the Omicron outbreak, meaning the work could face delays).
- g **agree**, based on feedback from the CRMG and the Minister of Finance, to direct Treasury to *examine a full set of options* (including a Flood Re model at a high-level) before deciding whether to proceed with an insurance intervention and the type of intervention, and to report to the Minister of Finance and the Minister of Responsible for the EQC in August/September 2022.

<i>Agree/disagree</i>	<i>Agree/disagree</i>
Minister of Finance	Minister Responsible for the Earthquake Commission

- h **agree** to the indicative timetable set out in paragraph 10 of this report.

<i>Agree/disagree</i>	<i>Agree/disagree</i>
Minister of Finance	Minister Responsible for the Earthquake Commission

i s9(2)(f)(iv)

j

k

Alignment with broader climate change policy

Insurance issues in the draft National Adaptation Plan consultation

- l **note** that public consultation on the National Adaptation Plan is expected to occur from 12 April to 25 May.

m **agree** to public consultation on policy questions for flood insurance issues being carried out through consultation on the draft NAP in April and May 2022 by including material and questions related to:

- the role of insurance in dealing with climate change flood risk (see draft material and questions in *Annex 1*), and
- a case study on the UK's Flood Re scheme as an example of a potential insurance response to climate change insurability issues (see draft material and questions in *Annex 2*).

<i>Agree/disagree</i>	<i>Agree/disagree</i>
Minister of Finance	Minister Responsible for the Earthquake Commission

n **indicate** if you have any comments on *Annex 1* or *Annex 2*, including whether the draft NAP consultation should include any other matters.

<i>Comments: Yes/no</i>	<i>Comments: Yes/no</i>
Minister of Finance	Minister Responsible for the Earthquake Commission

o **note** we will continue to work with the Ministry for the Environment (MfE) and EQC to refine the material in *Annex 1* and *Annex 2* for the draft NAP prior to Ministerial consultation on 10 March 2022, and submission to Cabinet for approval in early April.

Insurance issues in the managed retreat policy consultation

p **note** the MfE is preparing public consultation on a framework for managed retreat as part of, or alongside, the draft NAP consultation in April and May 2022.

q **agree** that questions about the interaction between insurance and managed retreat should be included in the consultation material (see draft material in questions in *Annex 3*).

<i>Agree/disagree</i>	<i>Agree/disagree</i>
Minister of Finance	Minister Responsible for the Earthquake Commission

r **indicate** if you have any comments on *Annex 3*.

<i>Comments: Yes/no</i>	<i>Comments: Yes/no</i>
Minister of Finance	Minister Responsible for the Earthquake Commission

Next steps

s **note** the Treasury will prepare a draft Cabinet paper in line with the decisions in this report to update Cabinet and seek agreement to the next steps on flood insurance issues for consideration at the same Cabinet meeting as the draft NAP, currently scheduled for 6 and 11 April 2022 (DEV and Cabinet respectively).

t **forward** a copy of this report to the Minister of Local Government and the Minister of Climate Change.

Yes/no.

Dasha Leonova
Manager, Financial Markets

Hon Grant Robertson
Minister of Finance


Hon Dr David Clark
Minister Responsible for the Earthquake Commission

Treasury Report: Flood insurance: next steps

Purpose of Report

1. This report seeks to clarify and confirm expectations for further work on flood insurance issues from the Minister of Finance and the Minister Responsible for the Earthquake Commission (EQC).

Background and feedback from Ministers

2. During the second half of 2021, the Treasury advised the Minister of Finance and the Minister Responsible for the EQC on emerging issues related to access and affordability of flood insurance for residential homes [T2021/1900, T2021/2377 and T2021/2921 refer]¹.
3. On 23 December 2021, the Minister Responsible for the EQC wrote to the Treasury seeking the development of a reinsurance scheme for flood risk modelled on the UK's Flood Re scheme. On 1 February 2022, the Minister discussed his views on the objectives and design features of the scheme with officials.
4. On 15 February 2022, the Minister of Finance wrote to the Minister Responsible for the EQC noting that he understood the Minister Responsible for the EQC wanted to progress this work at pace with ambitious timelines. The Minister of Finance expressed his preference to progress policy work on flood insurance issues in closer alignment with the wider work on climate adaptation policy, including the National Adaptation Plan (NAP)², noting that the benefits this would afford outweighed the benefits of moving at speed. s9(2)(f)(iv)

5. On 16 February 2022, the Climate Response Ministers Group (CRMG) discussed the next steps for the policy work on flood insurance issues. The CRMG requested that flood insurance work should be coordinated with the development of wider climate change adaptation policy (including by consulting on high level policy questions as part of the consultation process for the draft National Adaptation Plan (NAP) due to take place in April and May). The CRMG also requested to report to Cabinet with substantive advice on wider options before selecting a preferred option.
6. Following the CRMG meeting, the Minister Responsible for the EQC asked officials to prepare a Cabinet paper informing his colleagues of the flood insurance work programme (including exploring an option based on Flood Re further), to be considered by Cabinet before consultation on the draft NAP starts.

¹ The Minister of Finance and the Minister Responsible for the EQC are jointly overseeing flood insurance policy work given their responsibilities for insurance markets generally (Minister of Finance) and EQC as a potential intervention tool (EQC Minister).

² The NAP is a report that sets out the Government's objectives, strategies, policies and timeframes to adapt to the effects of climate change. Under the Climate Change Response (Zero Carbon) Amendment Act 2019, the Government is required to publish the first NAP by August 2022.

Next steps to develop policy on flood insurance issues

7. Based on the feedback from Ministers, including s9(2)(f)(iv) [redacted], we understand the scope of the Treasury’s next substantive advice on insurance issues is to **examine a full set of options** (including a Flood Re model at a high-level) before Ministers decide whether to proceed with an insurance intervention and the type of intervention.
8. The advice would also provide options on next steps, including seeking decisions on a preferred option(s) and agreement to targeted consultation on the preferred option(s).
9. We expect to provide substantive advice in August/September 2022. This would allow consultation to be aligned with public consultation on climate change adaptation policies. This consultation is planned to occur from 12 April to 25 May and reflects the direction from the CRMG that work on flood insurance issues should be coordinated with the development of wider climate change adaptation policy (including the National Adaptation Plan).
10. An indicative timetable is in the table below.

Timing	Milestone
April	Cabinet paper: context explaining the work done to date on flood insurance, what we have heard from the industry, and agreement to high-level insurance questions in the draft NAP consultation.
April – May: alignment with consultation on broader climate change policy	Annex 1 and 2 illustrate the information and questions that could be included in the NAP. In addition, it may be desirable to include questions in the context of work on managed retreat.
Early June	Briefing to update Ministers on consultation.
August / September	Advice to Ministers on: <ul style="list-style-type: none"> • full set of options for insurance-based interventions to address issues associated with climate change exacerbated flood risk, • options on next steps, including seeking decisions on preferred option(s) and agreement to consultation on the preferred option(s).

s9(2)(f)(iv)

Resourcing

11. We have several senior analysts and analysts, as well as management resource, contributing to the project in addition to their other Financial Markets Policy and EQC Policy work. In total there are around 2.5-3 full-time equivalent staff working on flood insurance issues, depending on the pressure of other areas they are covering.

12. s9(2)(f)(iv) [Redacted]
s9(2)(f)(iv) [Redacted]

13. s9(2)(f)(iv) [Redacted]

Expedited approach in the near term not preferred

14. s9(2)(f)(iv) [Redacted]

15. We also do not recommend an expedited approach in the near term because:
- we do not think it is consistent with feedback from the CRMG and the Minister of Finance;
 - our recommended approach allows for consultation on broad options (and the potential benefits therein) to improve policy effectiveness and limit unintended consequences; and
 - s9(2)(b)(ii) and s9(2)(ba)(i) [Redacted]
s9(2)(b)(ii) and s9(2)(ba)(i) [Redacted]

Consultation and timing to align with the draft NAP

16. Consultation through the NAP is intended to build buy-in to the issue and proposals from stakeholders and the public. It will also ensure questions about the appropriate management of flood risk are considered alongside insurance issues. This will help to address feedback we have been receiving from insurers and other agencies that insurance cannot address the challenges of climate change without other strategies to manage the underlying risk.

17. To date the Treasury’s consideration of insurance issues has focussed on floods (rather than other climate change exacerbated perils such as drought and storms) and on addressing the short-term risk of possible significant and widespread affordability and availability changes to flood insurance for high-risk homes, which could be triggered by the recent release of new flood models and one small insurer moving to a more granular risk-based pricing approach). Repositioning access and affordability of insurance within a broader climate change adaptation context suggests less of a focus on the short-term, and greater emphasis on medium to longer-term implications and options.
18. The insurance-related content and questions that would be consulted on in the draft NAP are provided in the *Annexes*. We would recommend including material similar to that in *Annex 1* (role of insurance in responding to flood risk), *Annex 2* (Flood Re case study), and *Annex 3* (managed retreat framework) in the package of material being consulted on in April and May.
19. Another advantage of aligning with consultation on climate change adaptation policy is that it allows officials to leverage the NAP consultation process to discuss insurance issues where appropriate by participating in MfE-led targeted engagements with key stakeholders (e.g. with local government, Māori). In addition, we would target other key stakeholders as necessary (e.g. insurers). *Annex 4* outlines our proposals for consultation.
20. The Treasury anticipates working up more detailed / developed material for targeted consultation (e.g. descriptions of the potential issues, further examples of the potential options we’ve identified). For example, we anticipate discussing with insurers more detailed questions regarding a Flood Re model or any other insurance solution that insurers may suggest. We will test this material with your offices once it is developed.

Immediate next steps

21. Following decisions on this report officials will prepare a Cabinet paper that reflects Ministers’ decisions. We recommend that this paper be considered at the same Cabinet meeting as the draft NAP on 6 April (Cabinet Economic Development Committee) and 11 April (Cabinet). Aligning the timing will allow Ministers to see the wider climate adaptation policies alongside the flood insurance work programme.
22. The immediate next steps are set out below.

14 March	Officials provide draft DEV paper on flood insurance to the Minister of Finance and the Minister Responsible for the Earthquake Commission to seek approval to Ministerial consultation.
15- 24 March	Ministerial consultation on flood insurance Cabinet paper.
10-24 March	Ministerial consultation on: <ul style="list-style-type: none"> • Draft NAP, and • Managed retreat Cabinet paper (timing to be confirmed).
31 March	Cabinet papers lodged.
6 April	Cabinet Economic Development Committee (DEV) considers paper.
11 April	Cabinet considers paper.
12 April	Consultation on draft NAP begins.
25 May	Consultation on draft NAP ends.

Annex 1 – Draft insurance key messages and questions for the draft National Adaptation Plan consultation

Role of insurance in responding to flood risk

Climate change could lead to ‘insurance retreat’ for flood risks for many assets, including homes. The Government has a choice about how it wants to respond, including potentially supporting flood insurance.

Climate change will increasingly exacerbate the severity and frequency of floods and the losses those events create. The nature of the changes and their impact will differ depending on the type of flood (e.g. river, surface, and coastal) and is particularly location specific. The timing and path of these changes is relatively uncertain.

Risks like flooding can be managed in a number of ways, including: (i) avoiding the risk through land-use planning, (ii) controlling the risk (e.g. public flood defences, asset-specific flood mitigations, ‘retreat’ from high-risk areas, and minimising new builds in high risk areas); (iii) insuring the risk to help communities recover from its consequences if and when those are realised; and / or (iv) accepting the risk with a view to dealing with the consequences after the event.

The increase in underlying flood risk is likely to challenge the insurability³ of flood risks for some assets, such as homes, as some of the key characteristics needed for risks to be privately insurable are no longer met. For example, it becomes increasingly uneconomic for either an insurer or an asset owner (at a proper price) to enter into an insurance arrangement if an asset is subject to frequent and significant losses.

This may lead to ‘insurance retreat’ in some cases, which can be a process including higher premiums, reduced ‘quality’ (e.g. higher excesses or limits on cover), and ultimately loss of access to insurance. Any significant and widespread insurance retreat would likely result in: (i) negative wellbeing impacts on affected asset owners, both pre- (e.g. income, stress, and reduced market value of existing assets, implications for mortgage finance) and post- (e.g. losses) flooding events; and (ii) potential fiscal implications for the Government to support uninsured/underinsured asset owners after a flooding event. Insurance retreat will also result in insurance playing a smaller role than at present to respond to damage caused by flood risk. Also, loss of insurance or higher premiums is likely to provide incentives for asset owners to manage their risk in other ways, including potentially taking measures to adapt to the risks (such as encouraging the development of public flood defences or moving assets).

The Government has a choice about how it wants to be involved in terms of how flood risks are managed in the short-term and as those risks are exacerbated by climate change, including whether it wants to support insurance markets in the continued provision of flood insurance (and if so in what ways). The Government’s position will be driven by weighing up various factors, including: (i) who should bear these climate change exacerbated risks / how should they be shared across society, including considering to what extent these risks are different than other risks; (ii) costs and benefits of various options to manage risks; (iii) who is best placed to manage and make decisions about managing these risks (e.g. asset owners, local government, central government); (iv) to what extent is any government involvement transitional (i.e. temporary); and (v) the risk of unintended consequences. The short term, medium term, and long term impacts will all need to be considered. Many of these factors are common across other risks being considered in this National Adaptation Plan.

³ For a risk to be insurable privately the risk should generally feature the following elements / characteristics: (1) Large number of similar exposure units; (2) Definite Loss; (3) Accidental Loss; (4) Large Loss; (5) Affordable Premium; (6) Calculable Loss; (7) Limited risk of catastrophically large losses; (8) Generally does not cover certain or highly likely risks.

Questions:

What role should insurance have in responding to flood risks exacerbated by climate change in the context of other options to manage flood risk (e.g. public flood defences, asset-specific flood mitigations, 'managed retreat' from high risks areas)? Who is best placed to make decisions about responding to flood risk? To what extent is the best approach owner, asset, time, and place specific?

Does the Government have a role to support flood insurance, noting that climate change is likely to exacerbate risks that may cause insurance retreat? If so, how is this best achieved (e.g. by directly supporting flood insurance and/or some other way(s) of reducing underlying flood risk or a combination)?

If the Government were to directly support flood insurance:

- *what is the best way to do this?*
- *should the focus be on supporting availability and/or affordability of insurance?*
- *how should the costs of that support be funded, including by whom?*
- *what are the benefits and downsides of this approach compared with other options?*
- *to what extent should this support be temporary?*
- *what else (protection, mitigation, etc) would be needed in order to make an insurance scheme effective if it were a temporary measure? For example, to ensure that risks have been managed by the time the scheme is phased out?*

How effective do you think the insurance 'price signal' (e.g. higher premiums or loss of insurance) is for providing incentives to reduce underlying flood risk?

Annex 2 – Flood Re case study for the draft National Adaptation Plan

Flood Re – A flood reinsurance scheme in the United Kingdom

Flood Re is a UK reinsurance scheme that supports the affordability and availability of flood insurance for homes with the highest risk of flood (around 1-2 percent of UK homes). It caps flood insurance premiums, and cross-subsidises flood insurance costs between homeowners.

Flood Re is owned and operated by the insurance industry and is funded by a mix of compulsory levies on all residential property insurers, combined with reinsurance premiums on flood-prone homes reinsured with the scheme.

To manage the adverse incentives of Flood Re on risk management, Flood Re is only available to homes built before 1 January 2009. New homes face full market risk-pricing to create incentives not to build in high flood-risk locations. In addition, Flood Re is planned to end by 2039, because the scheme is intended to manage the transition to market prices. The end date preserves the incentive for risk reduction, so that a greater proportion of homes would be in lower flood risk areas by 2039 which reduces the shock when transitioning to market prices.

Alongside Flood Re, the UK Government committed to major investment in flood risk reduction. It is intended that flood risk will be largely addressed by the time Flood Re ends in 2039, allowing for a smooth transition back to risk-reflective market-based insurance premiums.

Changes to the scheme are currently being considered to improve adaptation incentives, including premium discounts for properties that have taken resilience measures and the ability for Flood Re to make additional payments to support claimants to rebuild more resiliently.

Questions:

What are your views on a Flood Re type scheme in New Zealand to address current and future access and affordability issues for flood insurance?

How do you think a Flood Re type scheme in New Zealand could support climate change adaptation in New Zealand?

Annex 3 – Insurance content for the managed retreat consultation

Managed retreat and the interaction with insurance

The Economy and Finance chapter of the National Adaptation Plan outlines the opportunities and challenges with respect to insurance in the context of climate change. This section outlines some initial questions about how a managed retreat framework could interact with insurance.

Climate change will increasingly exacerbate the severity and frequency of floods and the losses those events create. The increase in underlying flood risk is likely to challenge the insurability of flood risks for some assets, such as homes. How retreat interacts with insurance may depend on whether a retreat is pre-emptive or in response to a natural disaster.

Pre-emptive managed retreat and the interaction with insurance

Insurers analyse information to form a view about risk and set the price and offering of their products. Insurers' view of risk may be a useful input for managed retreat decision makers, although much of the information available to insurers is also available to local and central government.

Question: Are insurers able to signal the risks better than local or central government despite operating off the same information set (e.g. insurers do not face the same political constraints around disclosure of information)?

Where insurance is increasingly expensive or unavailable, it may provide an important signal about the need to consider alternative options to manage risk, such as managed retreat. However, as insurance contracts are typically for only one year, the premium and availability may not provide a useful signal about increasing risks in the future.

Question: Should insurability be a factor in considering whether to retreat from an area?

Additionally, both in New Zealand and internationally, governments often support access to affordable insurance in higher risk areas – generally through cross-subsidies – softening the signal and incentive for managed retreat. The Government is considering the role of insurance in managing flood risk and the implications from climate change, with a view to supporting the continued availability of affordable insurance.

Question: How could government balance the trade-off between supporting affordable and available insurance in higher risk areas (for a range of equity or fiscal risk reasons) with the signal / incentives for retreat provided by increasing insurance premiums or withdrawal? For example, should government seek to maintain insurance affordability and availability in higher risk areas only while managed retreat decisions are being developed?

Post-disaster retreat and the interaction with insurance

Insurance claim payments (post-event pay-outs) compensate insured parties for loss or damage after a covered event. Post-event there is an opportunity for those payments to support a retreat, rather than rebuilding.

Insurance payments are unlikely to be sufficient to fund retreat, meaning further consideration of funding sources is required. Insurance payments typically only cover loss or damage, meaning insurance may not cover the full amount required to compensate for the value of a building in a retreat scenario or to fund significant betterment/resilience improvements. Additionally, land is generally not insurable in private insurance markets, and even where land may be insured (e.g. EQC covers land in certain circumstances) the land must suffer damage or loss to qualify for an insurance payment.

Climate-change exacerbated risks such as flooding do not generally damage land itself (other than the cost of clearing flood debris) or are gradual (e.g. erosion) and therefore do not qualify for insurance payments (insurance tends to cover only sudden, accidental and/or unforeseen events like a landslide).

Insurers generally do not put restrictions on how insurance payments are used by claimants, enabling insurance payments to be used to fund post-event retreat. However, insurers may limit their liability (e.g. refuse future cover) if a property is highly likely to suffer similar damage again.

Questions:

How can post-event insurance payments best support a retreat? Are there any barriers to the use of insurance payments to support retreat? To what extent and when should the retreat be mandated post insurance pay-out?

Are there sufficient processes/mechanisms for quick post-event decision making on retreat to take advantage of insurance payments to part-fund retreat? Would there be net benefits in the government seeking to maintain insurance coverage for higher risk areas so insurance payments would be available to part-fund post-event retreat?

Annex 4 – Initial plans for targeted stakeholder consultation alongside the draft NAP

The Treasury intends to leverage the NAP consultation process to discuss insurance issues with key stakeholders by participating in MfE-led targeted engagements (e.g. with local government, Māori). This approach will help minimise duplication and consultation fatigue from stakeholder.

In addition, Treasury will seek to consult stakeholders with a particular interest in insurance issues, including:

- **Insurers** – The Insurance Council of New Zealand (ICNZ) has established a reference group of insurer representatives to engage with us on flood and wider climate change insurance issues. We will seek bilateral engagements with IAG, Suncorp, Tower, FMG, MAS, Ando and AA (who are the largest residential property insurers), with an open invitation to any other insurers to engage. We will also work with EQC to make enquiries with reinsurers to test their interest in engaging. We have been working with ICNZ to organise an initial workshop with the reference group in early March, based on a ‘strawman’ of a New Zealand Flood Re scheme. Given the subsequent decision to align the flood insurance project with the draft NAP consultation, we are now planning to engage with the reference group once the draft NAP is released in April. This will ensure that consultation can take place with the questions raised in the NAP as a starting point, rather than focusing on a strawman model in the first instance. We will continue to work with the Office of the Minister Responsible for the EQC on our messaging to insurers about the project and timelines as they evolve.
- **Banks** – We intend to discuss insurability issues with the New Zealand Bankers’ Association and any banks that are willing to engage. We will integrate these engagements with consultation on the draft NAP.
- **Māori** – We intend to engage with Māori most affected by high flood risk, and any other groups to also capture broader Māori views on this issue, for example the Iwi Chairs Forum.