

Reference: 20230001



3 March 2023



Dear 

Thank you for your Official Information Act request, received on 3 January 2023. You requested the following:

I hereby apply under the Official Information Act for information regarding the impact on policy of the revised National Seismic Hazard Model (NHSM), recently made public by GNS. I am not seeking information on the model itself or its development unless it goes beyond that which was made public by GNS and was created or is held by the Treasury.

The request covers documents created by the Treasury or supplied to Treasury by GNS, EQC or other outside sources. I seek documents which deal with the model or its impact on insurance prices, the economy, EQC or other areas for which the Treasury has oversight responsibility.

The documents sought include reports to ministers, memoranda, file notes, meeting notes, emails, working papers or other documents on file in the Treasury.

It is appropriate for this request to be made to the Treasury rather than GNS because the information sought relates to what Treasury has learned about the model and how it has reacted to it. Had the information sought related to the model itself it would have been made to GNS.

On 10 February 2023 Treasury extended the time limit on your request by 20 working days to accommodate consultations needed.

Information being released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	14 September 2022	Email Chain: Re: For Review – Draft Slides of Officials' Priorities Committee – Insurance – 16 September 2022.	Release in part
2.	29 September 2022	Email Chain: Release of NSHM 2022	Parts that are in scope are released in full

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3.	4 November 2022	Residential Insurance: Officials' Priorities Committee 4 November 2022	Parts that are in scope are released in full
4.	4 November 2022	Insurance – Notes for Officials Priorities Committee Discussions	Parts that are in scope are released in full

I have decided to release the relevant parts of 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 and 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,
- 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,
- direct dial phone numbers of officials, under section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.

Some information has been redacted because it is not covered by the scope of your request. This is because the documents include matters outside your specific request.

Direct dial phone numbers of officials have been redacted under section 9(2)(k) in order 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 the Treasury's website.

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

Steve Cantwell
Acting Manager, Financial Markets

OIA 20230001

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Not in scope of request

From: James Beard [TSY] <James.Beard@treasury.govt.nz>
Sent: Wednesday, 14 September 2022 5:20 pm
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Subject: RE: FOR REVIEW - DRAFT Slides for Officials' Priorities Committee - Insurance - 16 September 2022

Hi Amir, Steve and Dan

Not in scope of request


I think part of the reason why OPC wanted to discuss this was that they had a conversation with MBIE about a forthcoming release of a new model (RMS?) and that triggered concern about substantial repricing/loss of cover etc. Is there anything we can say on that? How does this interact with the recent cap increase. ^{s9(2)(g)(i)}

s9(2)(g)(i)

s9(2)(g)(i)

The new model is the National Seismic Hazard Model. Insurers have probably largely already priced in the “science” that underpins that new model (they have their own models too). So, wouldn’t expect huge changes to insurer pricing, esp. in the short term. EQC will be able to tell us what difference the NSHM makes to the allocation of EQ risk compared to their earlier model.

Not in scope of request




JAMES

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Not in scope of request



Not in scope of request



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From: Ken Warren [TSY] <Ken.Warren@treasury.govt.nz>
Sent: Thursday, 29 September 2022 3:23 PM
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Subject: Release of NSHM 2022

Kia ora folks

I've just attended a presentation on the update of the National Seismic Hazard Model (NSHM). FYI, a quick update, and thoughts on implications.

- The NSHM 2022 Model will be publicly released on October 4th, updating the 2010 Model – embargoed until then
- Note that the NSHM measures ground shaking (i.e. hazard) not impact of shaking (i.e. risk)
- A significant amount of information will be released: including 31 Detailed reports, Web App, hazard maps regional information sheets etc,
- Overall Result: Shaking hazard increases across NZ ranges from approximately no change to a doubling, average 50% increase mainly due to Ground Motion modelling particularly Hikurangi – Kermadec Subduction Zone
- Not in scope of request
-
- Implications for EQC who will take several months to incorporate into their loss modelling. Down the line implications on their funding model?
- Implications for insurance Industry who will look to see how this compares with their own risk modelling
- Note the NSHM now provides probabilistic forecasts for 100 Years, although shorter periods can also be investigated – implications for FSM Model and LTFS?
- Implications for Wellbeing Report, Risks Chapter?

Cheers
Ken

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TE TAI ŌHANGA
THE TREASURY

Residential Insurance

Officials' Priorities Committee
4 November 2022

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Market overview

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Increasing understanding of seismic hazards

- The new National Seismic Hazard Model was released in October, updating the 2010 version.
- The model calculates the likelihood and strength of earthquakes around the country over different time periods. It informs the models EQC and insurers use for risk and loss calculations.
- The impact on residential insurance premiums will depend on the extent to which insurers have already priced the science into their own models – which we understand has happened.

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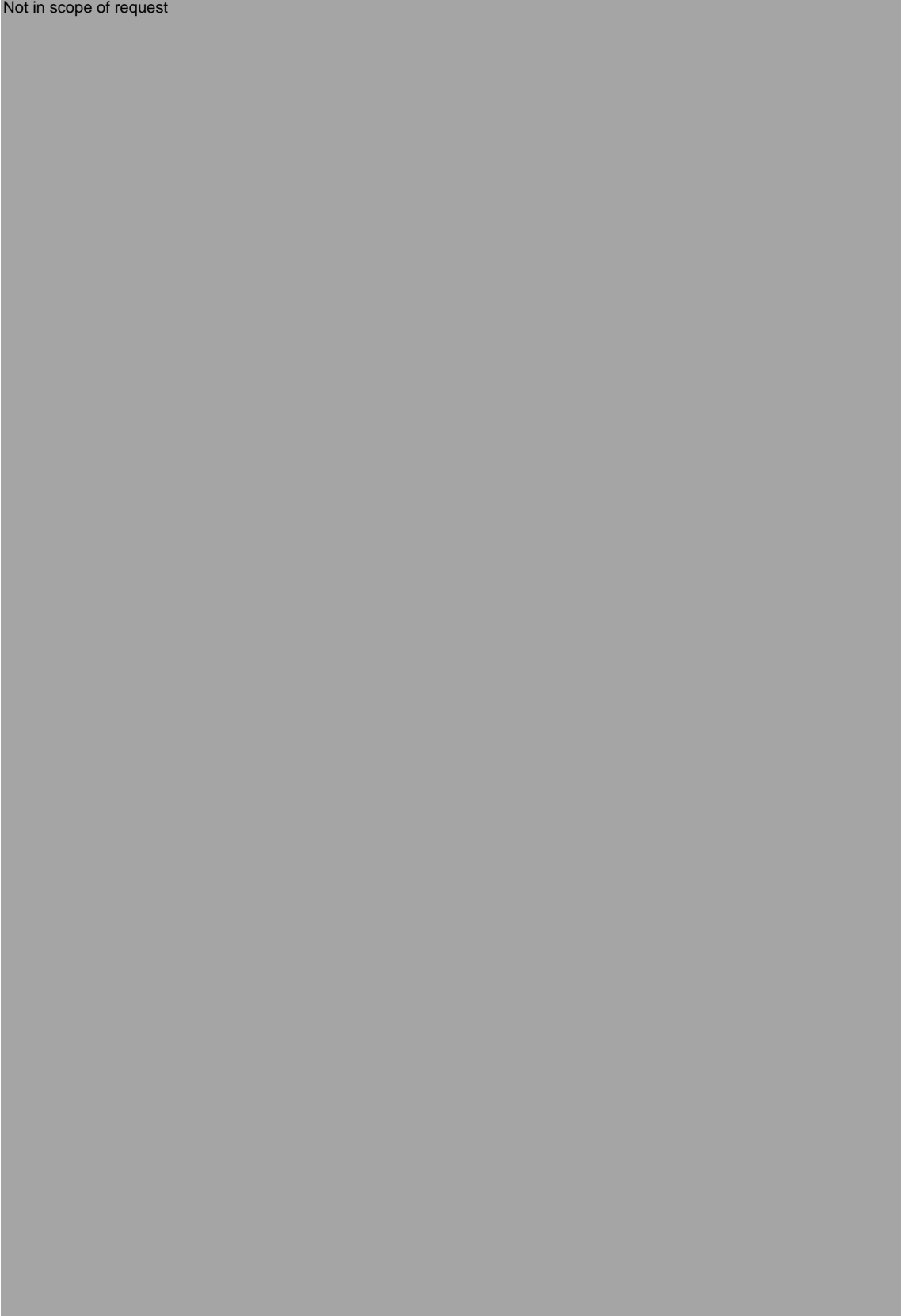
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OPC Discussion on Insurance: Market and System Overview Notes

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**Increased understanding of risk**

- The final point I'll make about the market is that data on risks is increasing as models become more sophisticated – which will eventually flow through to residential premiums.
- We have already seen this with seismic risk, which is increasingly priced into premiums in high-risk areas.
 - For example, the new National Seismic Hazard Model was released last month, updated for the first time since 2010. This found that shaking hazard increased on average by 50% across New Zealand due to ground motion modelling, particularly Hikurangi – Kermadec Subduction Zone.
 - This new information will have implications for engineering standards, EQC's loss modelling and for insurers themselves who will be comparing the findings with their own risk modelling. These implications are currently being worked through.

Not in scope of request




Not in scope of request




Not in scope of request



Not in scope of request



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Not in scope of request

