Will you be able to get home insurance by 2035?

How climate change is affecting your house and contents insurance bill

2025

consumer.

Acknowledgements

The Brian Gaynor Initiatives Business Writing & Journalism Excellence Award made it possible for Consumer NZ investigative team leader Rebecca Styles to pursue this investigation. The Brian Gaynor Initiatives and any associated parties did not have any editorial input, oversight or rights over the final published report.

We thank the Brian Gaynor Initiatives and also extend our thanks to the following people for generously sharing their time and knowledge with us throughout the creation of this report.

Darren Wright

Diane Sutherland, Linda Greenalgh and Mace Ward (Auckland City Council)

Hon Dr Duncan Webb

Emma Ihaia and David de Boer (Link Economics)

Helen Mexted and Scott Lewis (New Zealand Society of Actuaries)

Professor Ilan Noy

Dr Joanna Horrocks and Hannah Grant (Natural Hazards Commission, NHC)

Karen Stevens (Insurance and Financial Services Ombudsman, IFSO)

Kris Faafoi (Insurance Council of New Zealand, ICNZ)

Mike Wakefield (Simpson Grierson)

Professor Rebecca Bednarek

To all the Consumer NZ members and supporters who contacted us about their experience of insurance, in terms of cost, claiming and dealing with the aftermath of natural disasters – we greatly appreciate you sharing your experiences.

Imagery: Photos have been sourced from Gilllian Parnham, Leanne Radojkovich, Craig Wright, Frank Ramsden Bradley and a variety of photo libraries. For more information, please contact Consumer NZ.

Design: Courtney Keith-Bourke (Table for Two Studio)

About Consumer NZ

Established in 1959, Consumer NZ is an independent, non-profit organisation dedicated to championing and empowering consumers in Aotearoa.

Consumer has a reputation for being fair, impartial and providing comprehensive consumer information and advice.

Citation: Consumer NZ. 2025. Will You be Able to Afford Home Insurance by 2035? Wellington: Consumer NZ.

ISBN: 978-1-0670998-0-0 (print)

ISBN: 978-1-0670998-1-7 (online)

Brian Gaynor Initiatives

Contents

Executive summary

Will you be able to get home insurance by 2035?

Consumer NZ has investigated how climate change is affecting the cost and availability of house and contents insurance in Aotearoa.

Since 2000, the cost of house insurance in this country has increased 916%, according to Stats NZ consumer price index data.

Our own research is showing a trend of customers dropping their house insurance policies because of cost. In 2022, of those policyholders who dropped house insurance, around 7% had done so due to cost. This year, that percentage climbed to 17%.

Our recent research also shows that the cost of insurance has risen to be the fourth most pressing financial concern for New Zealanders, behind housing, food and overcoming household debt.

We're also seeing low levels of trust in the insurance industry, dissatisfaction with the claims process and no impetus on insurers to complete claims in a timely fashion.

Compounding this is a lack of transparency about risk-based premium pricing and no avenue for customers to challenge prices. Yet, we know insurers have got prices wrong in the recent past, with the Financial Markets Authority (FMA) regulator taking several insurers to court for pricing errors.

It's also getting hard to shop around for insurance because of the difficulty comparing policies, the lack of real choice of provider and the fact that, in some areas, consumers can't get quotes online. And, if a homeowner had a significant natural hazard affecting their home, insurers may not want their custom.

While more frequent weather events are certainly costing insurers, the insurers' profit margins continue to rebound strongly after events. An analysis of publicly available financial records suggests customers are paying more in Aotearoa than their Australian counterparts for policies underwritten by the same insurers. The analysis also suggests industry assertions of the expense of reinsurance (which results in customers paying more) may be overstated.

We recommend the FMA review the pricing of house and contents insurance to confirm New Zealanders are being charged fairly, based on accurately assessed risk, and to ascertain why householders here are paying more than Australians.

We also recommend the Commerce Commission conduct a market study into the competitiveness of the house and contents insurance market.

The need for a climate adaptation framework

For insurance to be affordable and available, the industry (along with policy experts, scientists and academics) tells us the country needs effective climate adaptation legislation and a related framework. Such a framework would clarify which homes are at risk and whether mitigations, adaptation or retreat is the best way to keep people and property safe.

Without such a framework, insurers might retreat from insuring homes, communities, cities and even entire countries if the risk proved too great.

We agree with the call for an effective climate adaptation framework and echo the sentiment by other thought leaders that government should be leading the charge.

If insurance became prohibitively expensive or were no longer available, it would have huge social and economic implications for the country. We need government leadership to navigate keeping New Zealand homes insured through the challenges of climate change.

Households also need to be involved, and aware, of the risks of climate change to their homes and insurance cover. Our research shows 86% of respondents hadn't received any information from their insurer about the impact of climate change on their home insurance policies.

While the government has made some steps towards sketching out climate adaptation legislation and a related planning framework, the idea falls over when it comes to who will pay for it. Yet it's vital we have a plan.

Our research has shown 72% of respondents think we need a plan to help communities adapt to climate change. When we asked who should pay for such an adaptation plan, respondents said the costs should be shared between central government, local councils, insurance companies and homeowners.

Similarly, respondents think the cost of property buyouts for homes that are neither safe nor practical to repair after a natural disaster should be shared between insurers and central government in the first instance, with local government and homeowners also expected to chip in.

An effective climate adaptation framework would enable local councils to prepare their communities for the impacts of climate change and provide certainty as to what happens in the wake of natural hazard events. It will also reassure communities that hazard mapping is based on consistent and robust data. Hazard mapping assesses land for its exposure to natural hazards, such as floods, landslips or sea level rise. It's an important step in identifying which areas are vulnerable to particular hazards and helps local authorities make robust plans.

We recognise this as an opportunity for insurers to work more proactively with local authorities and share any hazard map information they hold.

Review required for natural hazards scheme

We want to see the Natural Hazards Commission reviewed to ensure it's up for the challenges of climate change and offers an equitable reimbursement scheme. The commission administers the country's natural hazards insurance cover, which helps with the costs of rebuilding or repairing homes after a natural disaster.

There is potential for the scheme to be expanded to include cover for flood damage to homes, which could reduce premiums because the scheme would be taking on more risk than private insurers. However, without an effective climate adaptation framework, this could create a moral hazard, with people continuing to live in at-risk areas.

What is clear is that we can't afford to ignore how climate change is impacting our ability to insure our homes. While some homeowners have dropped insurance, others have simply opted to under-insure their dwellings. Treasury figures from 2016 state that 85% of homes could be under-insured by an average of 28%. Given these figures are nearly 10 years old, we can expect them to have increased since climate change induced weather events have been more prevalent over the past decade, and more households are facing economic hardship.

Our research from April this year shows that 16% of respondents don't think they have enough cover to rebuild their home.

Insurance is a powerful tool that enables individuals and communities to withstand financial setbacks and rebuild after natural disasters. Going without or with limited house insurance puts our biggest asset (for most of us) at risk in the case of a disaster. Should a natural disaster strike, with properties damaged or destroyed, homeowners who don't have insurance could be stuck with mortgaged homes that are unsafe to live in and impossible to sell.

If this happens on a wide scale, it has the potential to exacerbate existing inequalities and destabilise our property market and even our economy.

Without serious intervention in the form of a government-led adaptation framework, with cross-party support, it's possible that many New Zealanders will not be able to get insurance by 2035.

01

The consumer experience of house and contents insurance

Consumer concerns about house and contents insurance affordability and insurer trustworthiness

"We considered stopping our [house and contents insurance] as we are retired, and it has just got so expensive, more than our income [allows]. However, after discussing the matter, we finally paid the bill as it was important to me – my husband said he would have gone without it; he feels that the risk is low, but I feel that, as we have a wooden house, it could be pretty awful if there were to be a fire."
– Susan

"My home insurance premium increased by 34% last year and has increased a further 22% on the bill that has just come in. This means a 56% increase in just 2 years. ... We did pay last year and will pay it this year, but I can see a time, in the very near future, when increases of this magnitude will be untenable despite our frugal spending."
– Ken

At Consumer NZ, feedback we've received suggests there is a lack of trust in the insurance industry, with a general feeling that the claims process isn't as smooth as insurance companies would like us to believe. In fact, some people we've heard from feel their insurer is doing everything it can to avoid paying out the full policy benefit.

The insurance ombudsman recently reported it receives the most complaints about house insurance – making up 24% of the disputes received last year.

Rising costs are also a concern. In our research, people without house and contents insurance commonly cited cost as a factor in deciding not to have it. Others who still have insurance can see a time approaching when that may no longer be possible, in particular, older people with less disposable income. Yet, there's also an apathy about switching providers to find a better deal – people feel it's just too hard.

As another alternative, homeowners are increasing their excesses in an effort to bring down their premiums – potentially bumping their excesses to unaffordable levels.

Meanwhile, insurers have removed one of the key opportunities for customers to get a cheaper deal. Most insurers have scrapped multi-policy discounts after a raft of court actions found insurers weren't applying the discounts properly.

There's also a lack of transparency about pricing, increased use of risk-based pricing and no avenue for consumers to contest prices or the data those prices are based on. It's getting harder to get quotes online in some areas across the motu. We've also heard from consumers who are worried about the impact of climate change on house insurance premiums.

The increasing cost of insurance

> "We are paying over $100 per week to insure a modest house and contents ... our insurance is now double what it was in 2019." **– Lou**

> "We have increased our claim excess to $5,000 and eliminated the contents to make the annual premium realistic." **– Alan**

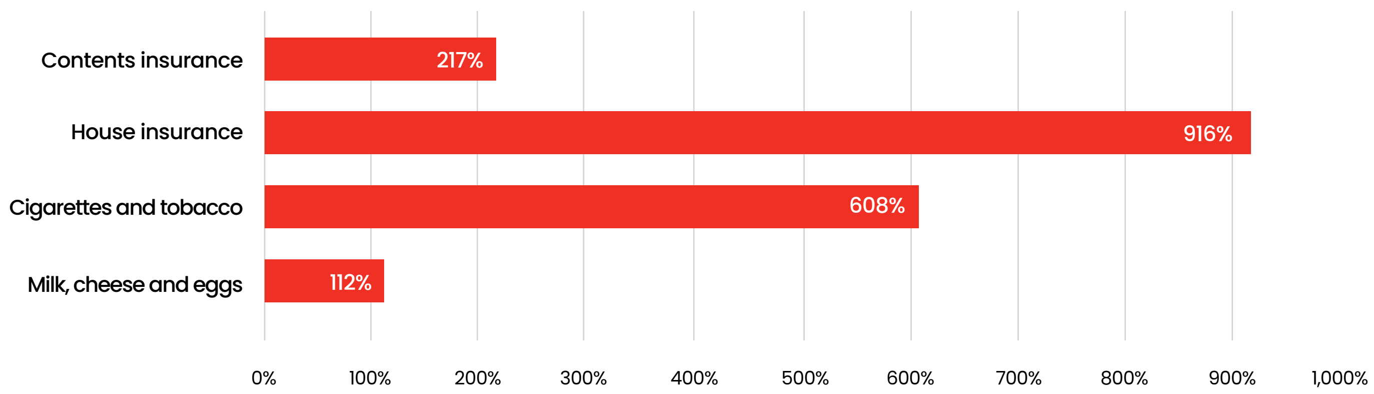
The price of house insurance has increased 916% since 2000, according to Stats NZ figures. That's the greatest increase in price for all goods monitored by the consumer price index (CPI) in the past 25 years.

The rise in cost for contents insurance hasn't been so steep but is still an eye-watering 217%. These price increases outstrip inflation. By comparison, the price of milk, cheese and eggs increased 112% over the same period. It's little wonder that Consumer's Sentiment Tracker research lists insurance as a top financial concern, sitting behind housing, food and overcoming household debt.

Stats NZ figures show the cost of house insurance started tracking up significantly in 2011, again in 2017 and once more from 2022 to 2023.

These spikes are probably due to the impact of natural disasters on insurers. In 2011, Christchurch experienced a devastating earthquake, with $21 billion worth of insured losses. 2017 was declared the worst year on record for weather-related losses, with $242 million paid out by the insurance industry. This has since been eclipsed by the Auckland Anniversary weekend floods and Cyclone Gabrielle in 2023, with the losses that year currently calculated as costing $3.8 billion.

Figure 1:1 Increases in prices of goods monitored by the CPI, 2000–2025



Source: Stats NZ CPI (level 3 classes) Q1 2000 – Q2 2025. Accessed 25 July 2025.

Between September 2022 and October 2024, ... the cost of the cheapest policy available online rose by $576 up to $1,999 – an increase of 40% over 25 months.

We also noted big increases in house and contents insurance premiums in our 2023 research, which are also likely to be due to extreme weather events earlier that year. For a standard house in Auckland, the median cost of house and contents insurance went up 26%, while for a large house, it went up 28%. Stats NZ figures show a national average 23% increase in house and contents insurance premiums over the same period.

The Treasury also collects data on house insurance (excluding contents insurance). Between September 2022 and October 2024, it found the cost of the cheapest policy available online rose by $576 up to $1,999 – an increase of 40% over 25 months.

In our 2024 insurance premium research, prices held steady for most centres, but rose for a standard house in Christchurch and Dunedin: where the median premium rose 8% and 7%, respectively. Dunedin saw the largest price increase for a large house, with the median premium rising 7%. Wellington premiums dipped slightly, but it remained the most expensive city for house and contents insurance out of the seven cities we track.

Although these increases are relatively modest compared with previous years, Stats NZ data still showed a 14% increase over the same period.

Dropping house insurance

"I cancelled my house insurance a number of years ago because I saw that my risk was extremely low, whether from theft, fire, accidental damage or weather. I also believe the insurance companies will do almost anything to avoid paying out. I banked the money I would have paid in annual fees and have used a very small amount of it for about three broken windows, each of which was well below the excess limit." **– Robyn**

"After the Christchurch earthquakes and insurance companies raising their premiums to cover their losses from the earthquake, I decided to avoid the eye gouging behaviour of big international companies and have not had any house insurance since." **– Brian**

Since 2022, we've seen increasing numbers of people doing without insurance because of cost. Among those who don't have house insurance, around 7% dropped it because of cost in 2022. By April 2025, that percentage had more than doubled to 17%. It's now at 23% for contents insurance.

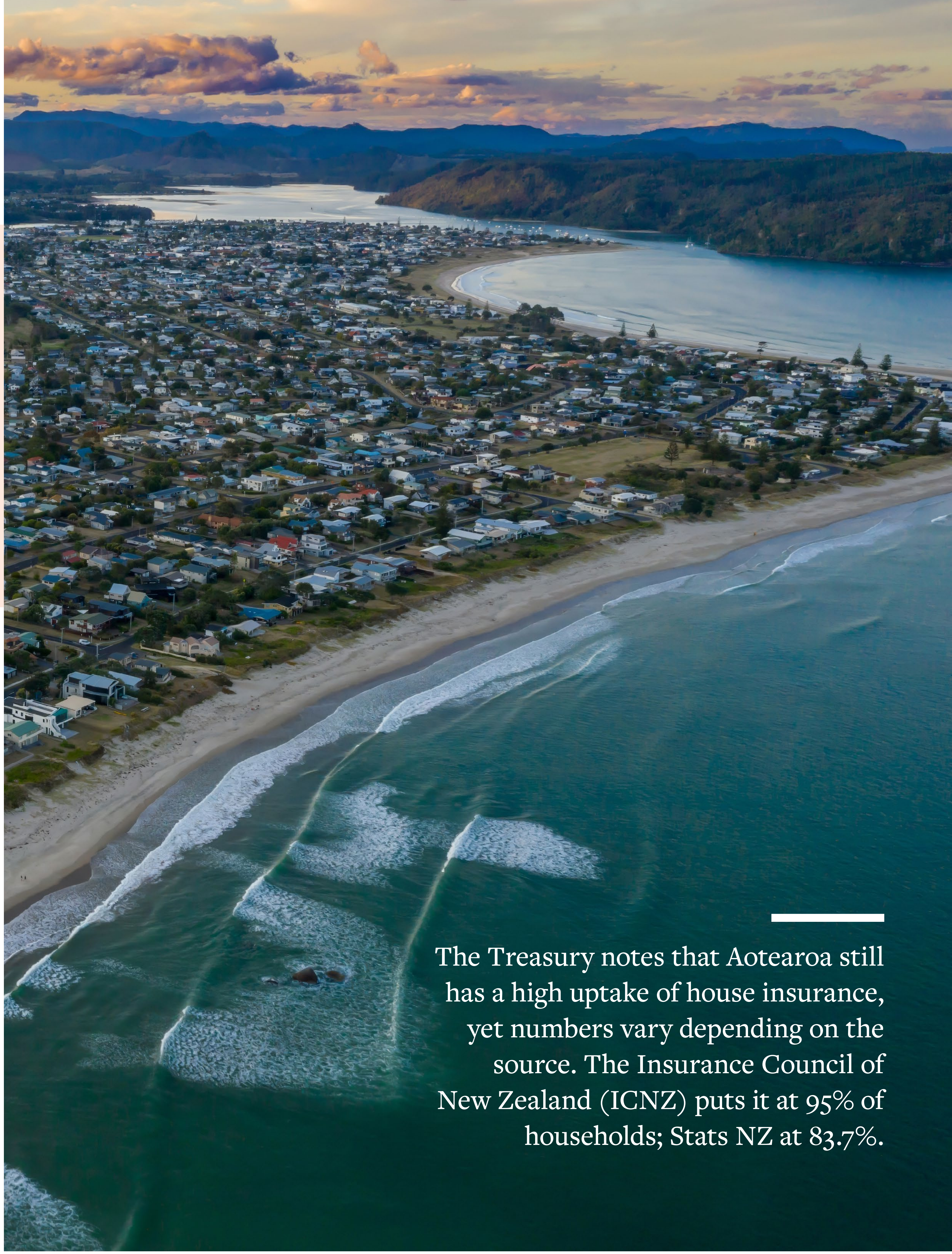
Going without house insurance is particularly concerning. Without house insurance, owners aren't eligible for natural hazards cover in the case of a natural disaster, which makes it a huge financial risk.

The Treasury notes that Aotearoa still has a high uptake of house insurance, yet numbers vary depending on the source. The Insurance Council of New Zealand (ICNZ) puts it at 95% of households; Stats NZ at 83.7%. The latter's figures also show the uptake of house insurance has decreased about 6% from 2017 to 2023.

Table 1:1 Of those who had insurance, percentage that dropped house or contents insurance due to cost, 2022-2025

Year	House insurance	Contents insurance
2022	7%	22%
2023	8%	18%
2024	12%	24%
2025	17%	23%

Source: Consumer NZ insurance surveys 2022–24 and Consumer NZ Sentiment Tracker 2025. Surveys in 2024 and 2025 contained a nationally representative sample. Surveys in 2022 and 2023 surveyed Consumer NZ members and supporters.



The axing of multi-policy discounts and no claims bonuses

In the past, one way people could save on their insurance costs was through multi-policy discounts and no-claims bonuses. However, five insurers – AMI Insurance, State Insurance, Tower, Vero Insurance and AA Insurance – have now dropped their multi-policy discounts. Tower has also stopped its no-claim discount, and State Insurance is getting rid of its 'years of insurance' discount.

One reason behind the change in approach is the move to risk-based pricing.

Risk-based pricing

AMI and State say that, instead of offering discounts, their personalised data means customers are now getting a "fair price upfront". This suggests the data the companies hold is detailed enough for them to assess the risks and potential claims for individual properties. The price people pay will then be based on the risks associated with their property.

The new approach could mean consumers get a reduction in price – more than the traditional discounts would have amounted to – if they live in a low-risk area. However, if they live in a higher-risk area, they're likely to be paying more, with no discounts available.

AA is also using risk-based pricing. Its spokesperson said the organisation was simplifying its insurance discounts and strengthening the discounts offered for being an AA member.

AA members will get an increased discount on most products they hold with us," the spokesperson said.

This could translate to the insurer adding value to its services by offering discounts for auxiliary services rather than discounting the actual insurance.

Court actions

Another factor behind the demise of multi-policy discounts is likely to be the High Court actions several insurers have recently faced.

In April 2025, the Financial Markets Authority (FMA) filed civil proceedings against IAG New Zealand (the parent company of AMI and State) for failure to price premiums and advertise and apply discounts correctly. The issue affected around 269,000 customers and resulted in overcharges of around $35 million, with a net gain to IAG of $31.1 million.

In a similar case in October 2024, AA was ordered to pay a penalty of over $6 million for not applying multi-policy discounts, membership discounts and no-claims bonuses and for misrepresenting potential discounts in its marketing material. In total, the insurer had overcharged nearly 200,000 customers by $11 million.

The FMA also filed proceedings against Tower in 2024 for failing to apply multi-policy discounts to the tune of $9.5 million; Vero, a Suncorp brand, for overcharging customers $8.7 million in 2022; and MAS (Medical Assurance Society) for similar offences.

In its announcement dropping the discounts, Tower noted that, despite its improved systems, there was "still a risk of error" that discounts wouldn't be calculated correctly.

The low trust in insurers

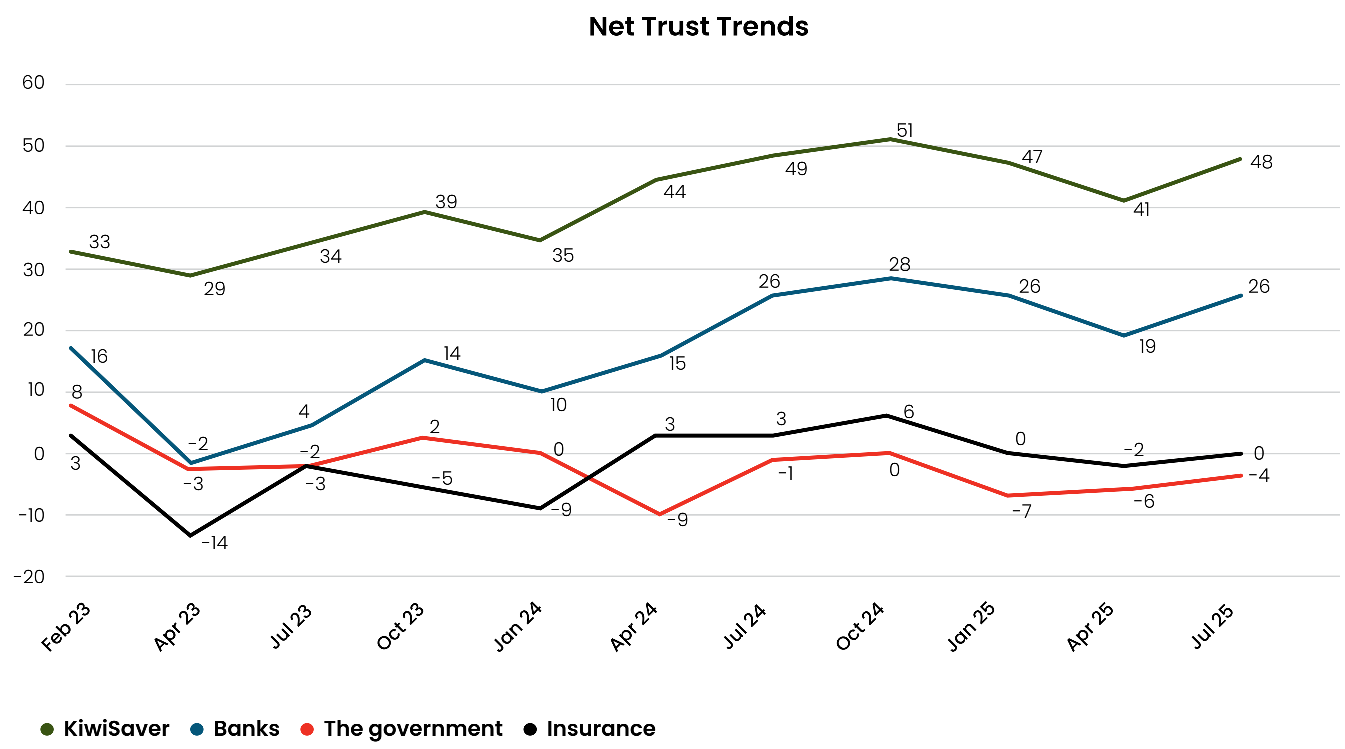
Most of the overcharging errors highlighted in the FMA proceedings were due to IT system errors. While the insurers have moved to reimburse customers, it is obviously concerning that several insurers hadn't calculated the right price for their customers in the first place. Such errors exacerbate consumers' feelings of distrust around premium price rises.

Consumer NZ Sentiment Tracker data from April 2025 shows insurance is one of the least trusted industries in Aotearoa, with 40% of survey respondents not trusting insurance companies. Comparatively, consumer trust in the insurance industry remains low, consistently falling behind trust in banks and KiwiSaver providers, and on a par with trust in the government.

The FMA monitors the legislation regulating the conduct of financial institutions, which requires insurers and other financial institutions to treat customers fairly. Part of the legislation requires insurers to review their products and services to make sure they're being implemented properly; that is, customers are being charged in line with any advertised offers or discounts. Insurers are expected to report any mistakes they find to the FMA, which may investigate and decide whether remediation or enforcement is necessary.

The legislation only came into force in March 2025, and the FMA is still planning how to best supervise insurers and their product reviews. It is possible supervision will extend to pricing, given the raft of court actions and concerns about insurers pricing their products correctly.

Figure 1.2: Net public trust trends for banks, insurance companies, KiwiSaver and the government, Feb 2023–April 2025



Source: Consumer NZ Sentiment Tracker April 2025

Challenging increases in premiums

Currently, it is difficult for consumers in Aotearoa to effectively challenge insurers' premium increases.

This is not the case in Australia. In October 2024, an Australian homeowner challenged their insurer, Suncorp, over a 60% premium price hike. The case hit the headlines, and the Australian Financial Complaints Authority ordered Suncorp to lower the cost. According to media reports, the authority wasn't convinced the insurer had applied its premium increase fairly or been able to justify such a big increase.

In addition, in Australia, the ombudsman can rule on whether premiums are correct and whether there's been a misrepresentation about cost or another breach of the law.

In Aotearoa, we don't have the same rights to contest pricing. Karen Stevens, our country's insurance and financial services ombudsman, said the office gets a lot of calls about premium price rises but can't look into any of them. It can only investigate cases where people have been misled about or wrongly sold a premium product.

Hon Dr Duncan Webb is the member of parliament for Christchurch Central. A former minister for commerce and consumer affairs and professor of law, Webb developed a particular interest in insurance after acting for Christchurch residents following the 2010/11 earthquakes.

He said there's no avenue for people to contest insurance costs. "Insurers are using very sophisticated modelling now, but I don't know if [the modelling is] true or not. If … your insurer says, for Wellington, we've done all the modelling, everyone's premiums are going up by 5% as a result … plus inflation and the model's wrong, then there's a problem there: it's overpricing. But there's no real way to challenge that."

The need for greater data transparency

We asked the main insurers what information they supplied to customers about the data they used to calculate premiums. Most information provided was general.

AMI and State mentioned general information, such as the cost of rebuilding and repairs, more frequent weather events and levies.

With respect to natural hazard data and how this affects pricing, AA said it couldn't share commercially sensitive data with customers, while AMP said it would "strive" to provide more information, if a customer requested it.

FMG and MAS also relied on customers asking for the information, although FMG noted it doesn't share natural hazard data with clients.

Tower's approach was different. It has a customer portal where natural hazard risks for floods and earthquakes are rated as either low, medium or high for particular properties. Again, the underlying data was considered commercially sensitive.

This reluctance by insurers to share the data they use raises several questions. Given the rise in risk-based pricing, how do customers know their insurer is using the right data to calculate their property's risk and hence the premium price? At what point does a customer's right to know override commercial interests? Should customers be able to challenge the data insurers use? Do we need more transparency and is that something the insurance industry supports?

Kris Faafoi, the chief executive of ICNZ, said greater use and openness of data should come out of the government's climate adaptation plans.

"I think, in the future, there will be more transparency for some insurers about how premiums are arrived at. [Now] some of the information is publicly available, but the insurer spends a considerable amount of money to get some of the data and obviously that's commercial information that they want to keep tight to have a competitive advantage."

"Insurers are using very sophisticated modelling now, but I don't know if [the modelling is] true or not." – Hon Dr Duncan Webb, member of parliament for Christchurch Central

A lack of consistency is creating inequitable results

In October 2024, news media website Stuff reported on a family in Napier that challenged the increase in their annual home insurance premium when it jumped from $5,486 to $7,949. Using publicly available data, the homeowner, Phil Dol, saw that his property had been wrongly identified on the Hawke's Bay Regional Council's hazard portal as being in an area vulnerable to a 1-in-50-year flood. While part of Dol's driveway was in the hazard zone, the rest of his property wasn't. Dol contacted the council, asking for his home to be removed from the hazard zone. The council obliged and, after updating his insurer about the change, Dol received a discount to the premium.

This raises questions of why the mistake was made and how we can know whether other homeowners are in the same boat and being overcharged for misinterpreted data? Should consumers be expected to challenge premiums, when insurers should be getting it right in the first place?

The Treasury notes that there's no standardised way for flood risk data to be collected and interpreted. "All insurers use a variety of sources and models to determine flood risk and planning," it states. This inconsistency could lead to some homeowners being incorrectly assessed and unfairly charged higher premiums.

Standardising the method used to assess natural hazards risks and having assessments validated by an external independent assessor, such as the Natural Hazards Commission (NHC), would help reassure homeowners the pricing is correct.

Using the same data to assess risk is also a possibility. Faafoi said, "getting a framework for some uniformity of base data across the country is something we're keen on for the sector, councils as well as government." While all insurers hold data, some "will want to hold it for competitive advantage, so for us, we have to have conversations to find out what level of data could be made available."

There is a potential downside to standardisation. Having all insurers using the same method and data to assess risk may reduce the difference between insurers, potentially leaving even less choice in an already concentrated market. However, given the steep price rises for house insurance in recent years, and insurers' increasing use of risk-based pricing, we think the possibilities around greater standardisation need to be reviewed.

Reinsurance and profit margins are impacting premium prices

To better understand whether the recent premium price hikes are justified, we commissioned business consultancy firm Link Economics to look at the publicly available data on the profitability of the three main insurance underwriters of Aotearoa – IAG, Suncorp and Tower.

A lack of transparency in the data made it hard to reach a definitive answer, but the economists concluded there was probably some justification for the increases.

After the extreme weather events of 2023, more claims were made, affecting insurers' revenue. Prices were raised to compensate. Insurers have also told us that inflationary pressures are influencing premium price rises. Another influence is reinsurance costs.

Reinsurance is essentially a global market that provides insurance for insurance companies. ICNZ explains, "Insurers take out their own set of insurance policies to protect themselves against the financial impact of one-off major events."

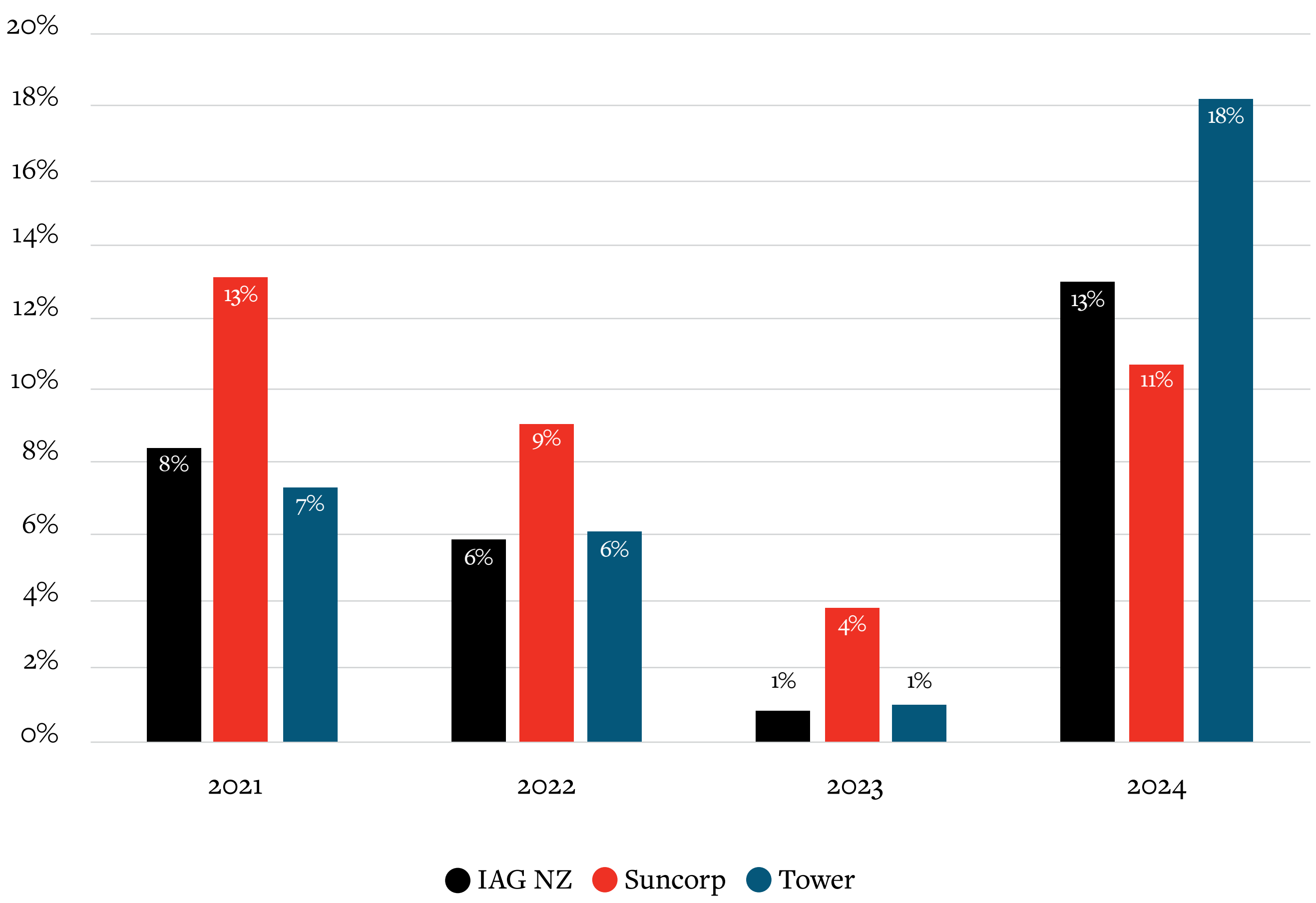
Yet, Link Economics' analysis suggests there have only been small increases in the proportion of reinsurance costs within premiums in recent years and, over the past 5 years, the proportion of reinsurance costs in premiums has been relatively stable.

Operating costs and profit margins

Another factor affecting premiums is insurance companies' operating costs. Yet, the proportion of premiums allocated to operating costs has decreased slightly since 2019 when it was 30%. Last year, it was 27% of the premium. The economists noted this was to be expected, as such costs are less susceptible to events external to the organisation.

The profit margins of all three underwriters we looked at are healthy and have fully recovered from the events of 2023 – being stronger than the economists expected.

Figure 1.3: Net profits before tax, IAG, Suncorp NZ, Tower, 2021–2024



Source: Link Economics

The market for supply of insurance is highly concentrated. IAG and Suncorp hold 92% of the insurance revenue in Aotearoa and, as a result, have significant market power. Whether that has enabled them to earn excessive profits could not be established without access to more data.

While premium increases in recent years seem to have reflected increased claims rather than changes in reinsurance or operating costs, future premiums and profits deserve close scrutiny.

The market for supply of insurance is highly concentrated. IAG and Suncorp hold 92% of the insurance revenue in Aotearoa and, as a result, have significant market power. Whether that has enabled them to earn excessive profits could not be established without access to more data. However, Link Economics made the observation that the two Australian-based underwriters (Suncorp and IAG) have a higher profit margin in Aotearoa than they do in Australia. Other commentators' analysis has shown this has been the case for some time.

The reasons for this are unclear, although it could well be linked to the organisations' market power and the very high level of market concentration in Aotearoa. There are obvious parallels with the banking industry in that our big four Australian-owned banks have a significant market share and are seeing healthier profits in Aotearoa than across the ditch.

Whether premium price rises and profitability are justified is a question only a regulator such as the FMA or the Commerce Commission could answer by compelling the insurers to open their books. What is clear, is the increasing pressures households face when it comes to insurance costs.

Table 1.2: Aotearoa insurance brand underwriters, 2025

Underwriter	Insurance brands	Country underwriter based in
IAG	AMI, State, NZI, NAC, Lumley, Lantern	Australia
Suncorp	Vero, AA	Australia
Tower	Tower, Trade Me	Aotearoa

Source: Insurance company websites accessed July 2025

Solvency ratios

One factor that goes into pricing is the amount of money (or capital) insurers need to hold back in the case of a catastrophe. Referred to as 'solvency ratios' and expressed as percentages, the ratios represent how much capital an insurer is holding compared with what they are legally required to hold.

For example, last year, Tower's ratio was 173%. This means for every $1 of capital it is legally required to hold, Tower was instead holding $1.73.

Insurers are required to make their solvency ratios public, and the ratios are monitored by the Reserve Bank of New Zealand. An actuary explained that a solvency ratio of 100% is the absolute minimum an insurer can hold. At 100%, the Reserve Bank would step in to see what was going on, and no insurer wants to face that situation.

Where each insurer's ratio sits is determined by the insurer's board. When a board determines the ratio, they are making a trade-off between how much capital the organisation should hold and how much they will pay out to shareholders – the lower the ratio, the better the return shareholders are getting; the higher the ratio, the more assurance policyholders have that they will be paid out in the event of a catastrophe.

Currently, solvency ratios for our seven main insurers range from 151% to 245%. However, in the last few years, ratios have been higher – over 300%. This is high by historical standards.

While the solvency ratios have moved back to a more normal range, the disparities are probably due to recent changes in the legislated solvency ratio rules and the fact there are more changes to come. The Reserve Bank is planning to introduce a ladder of intervention, which would indicate the points where the bank would step in if ratios start to fall too low. The bank has also been reviewing the solvency standards, with the timeline for the changes to be completed currently under review.

According to an actuary we interviewed, the delay in finalising the standards is unlikely to affect house insurance premiums. Instead, it is likely to be limiting the dividends that insurers pay out to shareholders. High reinsurance costs and concerns about costs from weather events due to climate change are impacting premiums the most, they said.

Table 1.3: Solvency ratios for the seven main insurance underwriters in Aotearoa, 2025

2025	IAG	VERO	AA Insurance	Tower	MAS (MIS)	FMG
Solvency ratio	151%	165%	194%	173%	196%	245%

Source: Solvency ratios gathered from the individual insurers' websites. IAG figures as at 31 December 2024, all other insurers as at 31 March 2025. IAG insurance brands include NZI, State, AMI, NAC, Lumley and Lantern.

Catastrophic risk capital charges

One of the Reserve Bank's jobs under the solvency standards is to ensure insurers have calculated potential losses correctly should a catastrophic event occur.

The calculation in question is called the 'catastrophe risk capital charge', and it changes depending on the type of hazard behind the event. For earthquakes, the charge is based on an earthquake with the severity of a 1-in-1,000-year event, while for other hazards, like flooding, it's on a 1-in-200-year event.

As a general rule, the less frequently an event is expected to occur, the higher its anticipated severity.

As a source explained, a 1-in-1,000-year event has a higher capital charge because, even though it happens less often, the damage is much greater and generates more insurance claims than a 1-in-200-year event. "A 1-in-1,000 basis is regarded as high by international standards. A 1-in-200 basis is not universal but is more usual overseas."

The higher ratio for earthquakes stipulated by the Reserve Bank means policyholders can be confident insurers will have the money to pay up should a large earthquake occur. Yet, to cover this risk, insurers need to buy more reinsurance, with the cost passed onto customers in their premiums. Reinsurance costs more for a 1-in-1,000-year event than for a 1-in-200-year event. Does that mean the 1-in-1,000-year risk level is too high, and all hazards should be measured at the 1-in-200-year level?

According to our source, while reducing the risk factor may reduce premiums, it increases the risk that insurers will be made insolvent if a large earthquake were to occur and they didn't have enough money to pay out claims.

It's also worth noting that the effect on the insurer (and premiums) of having to buy more reinsurance is also dampened by the NHC's portion of claims, which covers the first $300,000 of some types of damage to homes. Meaning, the NHC portion of claims reduces the reinsurance cost to the private insurer.

The lack of communication about policy changes

In our 2024 nationally representative insurance research, just 42% of respondents were very satisfied that their house insurance policy document was easy to understand. Satisfaction was a fraction higher for contents insurance policies, at 45%.

Table 1.4: Consumer NZ survey respondents' satisfaction with the terms and conditions in their insurance policies, 2024

Q: Thinking about insurance in general. To what extent do you agree or disagree with the following statements?	I clearly understand the terms and conditions of my insurance policies	Insurance companies have fair policies	Insurance companies charge consumers fairly	Insurance companies have their customers' best interests at heart	I trust insurance companies with my personal data
Disagree (0-4)	27%	37%	49%	54%	31%
Neutral (5)	23%	35%	30%	25%	29%
Somewhat agree (6-7)	29%	18%	14%	13%	22%
Strongly agree (8-10)	21%	9%	7%	7%	18%
NET Total agree (6-10)	50%	28%	21%	20%	40%

Source: Consumer NZ Insurance Survey 2024. The survey contains a nationally representative sample. Fieldwork dates: 1 to 23 October 2024. Total number of respondents 6,415.

A lack of clarity in policies could be due to excessive jargon, policy length and overly dense language.

A lack of clarity in policies could be due to excessive jargon, policy length and overly dense language. It could also stem from insurers changing their policy offerings without clearly communicating what changes they have made and why.

In our recent premium and policy survey, we noticed several insurers had changed their cover. Most insurers offer different levels of cover: basic, mid-range and comprehensive. However, two IAG insurers now only offer one level of cover: AMI only offers a 'Home Plus Insurance' policy, and State just has a 'Home Comprehensive' policy.

IAG stated the offerings had been changed to "meet our customers' evolving needs". It also mentioned it needed to provide policyholders with "adequate and accurate cover … to be able to replace or rebuild their home and/or their contents".

The recent payouts for extreme weather events may have revealed either that people weren't insured for enough or that there is a mismatch between consumers' expectations for their insurance and the reality of what they're covered for. In either case, basic policies are no longer fit for purpose.

With their single policy offerings, both State and AMI have at least matched or increased the cover limits of their previous comprehensive policies. Consumers may also find that, with the change in approach to policies, their insurance costs reduce.

In one example, a Wellingtonian insured with AMI was paying a monthly premium of $148.66 for contents and $306.42 for house insurance ($455.08 a month or $5,460.96 annually). They contacted AMI, because the costs were getting out of control and were transferred to the insurer's updated policy. Now, they are being charged $266.75 a month for both insurances combined ($3,201 annually).

In this case, risk-based pricing worked in the consumer's favour, but in riskier areas of Wellington, the practice is likely to make insurance more expensive.

The other insurers we monitor are still offering different levels of cover, such as comprehensive and basic options.

Shopping around for insurance

"I have not shopped around for any other insurance cover. To be honest, it just feels too hard. Probably foolish of me, but at my stage of life, I want a quiet life without hassle and stress." **– Mary**

Even though premium prices are high, there's a reluctance among insurance customers to shop around. In our 2024 insurance research, we found just 9% of homeowners had switched insurers in the past 3 years. The switching rate was the same for contents insurance.

This is low compared with Australia, where 15% of customers switched insurance providers to get a cheaper premium in 2023, according to that country's consumer advocacy group Choice.

New Zealanders, it appears, are less inclined to switch, and we are seeing low switching rates across many services in Aotearoa, from banks to telecommunications companies. Yet, the Commerce Commission, in its report into competition in personal banking services, stated, "if consumers are less engaged or there are significant barriers to shopping around and switching, competition is likely to suffer."

Barriers to switching include:

- having difficulty finding the time
- finding it hard to compare policies across insurers
- feeling it's not worthwhile financially
- assuming policies are all the same.

Table 1.5: Length of time with house insurance provider, 2024

Q: How long have you had your house insurance provider?	
Less than a year	6%
1 to less than 3 years	9%
3 to 5 years	10%
More than 5years	75%
Don't know	0%

Source: Consumer NZ insurance survey 2024. Fieldwork dates 1 to 23 October. Includes a national representative sample. 4,795 respondents.

"I shopped around pretty heavily, and no other insurer would offer me insurance. So, there's this Clayton's choice. You've got insurance, but actually, you have no choice of who it's with."

- A Christchurch resident

Also, some customers will be happy with the service they're getting.

We think an independent switching service, where consumers can easily compare policy benefits, prices and customer service experiences would help encourage people to change insurers.

There's another significant barrier, particularly for house insurance, for consumers who have experienced a natural disaster.

The New Zealand Claims Resolution Service recounted hearing from people who were unable to change insurer in areas that have experienced a natural disaster. "We're seeing this through parts of the North Island now, Cyclone Gabrielle and Auckland areas where, yes, you can secure insurance, but it's only from the [insurer] who was insuring it at the time of the disaster. There is no competition."

One Christchurch consumer told us they shopped around for insurance, but no insurer would touch them. "I shopped around pretty heavily, and no other insurer would offer me insurance. So, there's this Clayton's choice. You've got insurance, but actually, you have no choice of who it's with."

For those consumers who are able to switch, depending on the data each insurer uses and their appetite for risk, there may not be much difference in price between insurers. The only potential benefit in changing could come down to customer service and the level of cover offered in different policies.

We think the low numbers of people switching insurers, and the lack of incentive for doing so, reflects the lack of choice in the Aotearoa house and contents insurance market. In our opinion, this is a sign of a failing market.

Difficulties in getting online quotes

Adding to people's reluctance to switch is the lack of availability of online quotes in some areas. When we ask insurers to provide quotes for our scenario homes in Christchurch and Wellington, as part of our insurance premiums research, we are often told the insurer can't provide a quote.

In our 2024 survey, AMP would only provide quotes in Christchurch for its basic policy, not its comprehensive one. AA wouldn't quote for Wellington and Christchurch without an underwriting assessment, while FMG said it is a rural insurer and covering urban Wellington and Christchurch didn't fit with its "underwriting criteria" – underwriting criteria is industry speak for its appetite and assessment of risk.

The lack of online quotes makes it harder for consumers in urban Wellington and Christchurch to shop around. Instead, they have to ring the insurers and provide more details, which is significantly more work.

In a June 2024 report, the Treasury noted that it's harder to find insurance online in areas that have high flood and earthquake risk. It also found it was harder to get quotes online in parts of Wellington, Marlborough and Canterbury. "There is less choice, as not all insurers cover these areas online," the report stated, although it also noted that, if people in those areas called the insurer, a quote was available.

The stress involved in making a claim

"It's a game to them [the claims process], and they try and wear you down ... the arguments we had. We had one assessor around five times: each time, he would find something else." **– Robert**

While price is important, how you're treated when you come to claim is also important. In our latest insurance survey, we asked people about their experiences in making a claim with their house insurer.

Just over half the respondents (57%) were very satisfied with the overall claims process. While lodging the claim was considered straightforward, the speed of the process, the knowledge and helpfulness of the insurer and its efforts to keep customers informed left room for improvement.

One common issue policyholders faced during the claims process was poor communication from the insurer as to how the claim was progressing. We also heard reports of multiple assessors visiting people's homes, with the homeowner unsure where they were all from or what they were there to assess.

We also heard from policyholders who felt they had to battle their insurer to receive the entitlements set out in the policy documents.

While the New Zealand Claims Resolution Service and the Insurance and Financial Services Ombudsman Scheme are available to help, policyholders experience emotional, and potentially financial stress, in battling their insurers to the point where they need to call on these support services.

Table 1.6: Consumers' satisfaction with the insurance claims process, 2024

Customer satisfaction with elements of a house insurance claim	Ease of lodging the claim	Speed of the claims process	Keeping you informed throughout the claims process	Fairness of settlement	Knowledgeable and helpful	Overall claims process
Very Satisfied (8-10)	65%	56%	52%	61%	56%	57%

Source: Consumer NZ insurance survey 2024. Fieldwork dates 1 to 23 October. Includes a national representative sample. 947 respondents.

Recommendations

Consumer experience shows that provision of online quotes, ease of switching, access to independent comparison websites, transparency of pricing and policy details and the claims process are all areas that need to be improved.

Measures also need to be taken to help restore consumer trust in the insurance industry.

We recommend

1. There should be a set time frame for settling insurance claims (for example, 12 months from a claim being lodged) with financial consequences for the insurers if they exceed the time frame. Insurers should be upfront with customers about how long claims will take to settle, particularly claims that involve the NHC.

2. When policies are changed at renewal, insurers should provide clear and transparent information about what has changed, including the difference in price, and how the changes will impact the homeowner's cover. (That is, will the homeowner be better off or should they increase their cover?)

3. Insurers should include more transparent natural hazards data on policyholders' invoices so the homeowner can see the natural hazards that might affect their property and how each hazard is priced.

4. The government should develop an independent national switching and comparison platform to make it easier for consumers to change insurer.

5. The government should create an avenue for policyholders to contest high premium price hikes, such as through the ombudsman or another independent service.

6. The Treasury should conduct further research into the impacts on competition of providing insurers with access to consistent natural hazard data.

7. The FMA should review the pricing of house and contents insurance to ensure customers are being charged fairly and ascertain why householders in Aotearoa are paying more than their Australian counterparts for house and contents insurance.

8. The Commerce Commission should conduct a market study into the competitiveness of the house and contents insurance market (or general insurance).

9. The government should conduct a review to confirm how many households are going without house and/or contents insurance and how many are underinsured.

10. Banks should put in place systems to monitor whether homeowners have and continue to maintain house insurance at appropriate sum-insured rates over the life of their mortgages, as recommended by the Reserve Bank.

11. Insurers should provide the FMA with the postcodes of properties they are no longer offering insurance to.

If the insurance industry and the relevant regulators can't come to the party to fulfill these recommendations, we have serious doubts about whether they are up for the next and biggest challenge facing our country – climate change and its impact on homeowners' insurance options.

02 Climate change

The effects of climate change on insurance bills and policies

"What concerns me is, since I live pretty close to the ocean and between two rivers, what if we have a weather event and the stopbanks cannot contain the rivers adequately, and they decide, sorry, you live in a high risk area now, we will have to put your insurance up further (or withdraw it completely)? What if I want to sell my house one day and future buyers consider such things and turn away?" **– Angela**

Climate change is happening. Greenhouse gas emissions have increased, and the result is rising temperatures globally. This translates to rising sea levels and more extremes in weather.

The Intergovernmental Panel on Climate Change says up to 3.6 billion people worldwide are living in areas "highly vulnerable to climate change". From food security to water shortages to coastal inundation and erosion, climate change will impact us all eventually, to varying degrees.

Given climate change's impact on weather, it's likely that householders' first direct experience of the phenomenon will be through changes to their house and contents insurance bill. And yet, in Consumer NZ's research, we're not seeing high levels of concern about how climate change will impact people's homes.

For example, in our latest insurance survey, just 15% of respondents were very concerned about the impact of climate change on their property. This could be linked to the fact that 86% of respondents said they hadn't received any information from their insurer about the impact of climate change on their policies. Only 3% of respondents thought their house was deemed 'high risk' from flooding or sea level rise.

Yet academic research suggests that hundreds of thousands of New Zealand homes in flood plains and by the coast are at risk of flooding due to climate change.

The increased frequency of extreme weather events also means more insurance payouts, and insurers will measure risk accordingly and charge us for it. We saw big increases in the cost of premiums after the Christchurch earthquakes and again after the 2023 extreme weather events. We can expect every disaster to result in a related bump in insurance costs – insurance is a business after all. Its primary motive is to make enough money to cover its costs as well as return a profit for shareholders.

Insurers can react to climate change in several ways. They can increase the cost of insurance until it becomes prohibitively expensive for homeowners to buy cover. Insurers can also gradually reduce a household's cover or remove cover for some risks such as flood.

At the extreme end, an insurer can refuse to provide cover to a property or even exclude entire areas and countries from cover altogether if they perceive the risk as being too great.

However, if the risks are being managed, whether at a property or community level through flood protection or wider adaptation plans, insurers are likely to stay and provide cover.

Flooding – the growing insurance risk in Aotearoa

Traditionally, earthquakes were the main risk for homeowners and their insurers in Aotearoa. However, earthquakes have now been eclipsed by climate change and extreme weather events, including tornadoes and landslides, but particularly, flooding.

A 2019 National Institute of Water and Atmospheric Research (NIWA) study estimated that, at that stage, up to 700,000 people and 411,516 buildings in Aotearoa were exposed to the risk of river flooding alone. Three-quarters of these buildings were homes. Another 72,000 people were exposed to severe coastal flooding, along with 35,000 homes (and another 14,000 buildings).

A 2021 study by the insurance broker Aon, commissioned by the then Earthquake Commission (EQC), found fewer but still large numbers of homes at risk from flooding. It estimated 250,050 homes (14.5% of all homes) were exposed to either coastal, river or surface flooding, with 137,499 homes exposed to a 1-in-100-year event and 88,647 exposed to a 1-in-20-year event. The Insurance Council of New Zealand (ICNZ) noted similarly high numbers of homes at risk of flooding in its 2024 annual report.

A 2025 study, by consultancy service Climate Sigma for the Ministry for the Environment, estimates 219,000 homes are currently within coastal or inland flooding zones in Aotearoa. Of those homes, it estimates between 2,200 and 14,500 could experience at least one damaging event by 2060.

Crunching the numbers on the potential impact of climate change is complex. Predicted impacts differ from region to region and by study methodology.

It's been estimated that even small increases in sea level rise will have a big impact on the frequency of flooding events in our coastal cities. Just a 10cm rise could change what is currently considered a 100-year flood (in terms of its severity) to a 1-in-20-year event. A 30cm sea level rise ramps up the calculation dramatically: a 100-year event could become an annual occurrence in Wellington and Christchurch, biennial in Dunedin and every 4 years in Auckland.

A 2019 National Institute of Water and Atmospheric Research (NIWA) study estimated that, at that stage, up to 700,000 people and 411,516 buildings in Aotearoa were exposed to the risk of river flooding alone.

When insurers pack their bags and leave Aotearoa

Insurers want Aotearoa to have a climate change adaptation framework in place so they can demonstrate to reinsurers that risks are being actively managed. Managed risks mean fewer claims and therefore fewer payouts.

If a cost-effective and credible climate change adaptation framework isn't in place, and we experience the severe weather events scientists predict, insurers could decide to leave Aotearoa because the risk of providing coverage becomes too great. Academics who specialise in insurance and its relationship to climate change say we have until 2040 before we start to see some insurers exiting Aotearoa. However, some of our main centres could see retreat by the end of this decade.

Kris Faafoi, chief executive of ICNZ thinks the risk of insurance retreat is overstated.

"Reinsurers like the New Zealand market, and we're quite a highly insured country, and we're also a market that helps diversify their portfolio across the globe. So, we certainly get the feeling reinsurers have confidence in the New Zealand market. That said, there are emerging challenges for everyone. New Zealand is a long thin country with large coastlines, so they are looking at us and saying, where's the action for the future to keep risk at a manageable level?"

We cannot afford to be complacent: there are already examples overseas of insurers exiting areas when the risk gets too great.

The departure of insurers in the United States

The New York Times reported in December 2024 that, since 2018, more than 1.9 million insurance contracts across the country had been dropped because insurers thought the homes were too risky to insure. In over 200 counties in the United States, the non-renewal rate (the term used when an insurer will no longer provide insurance) had tripled.

Other media reports stated that, in California alone, there had been 2.8 million non-renewals between 2020 and 2022.

Wildfires and hurricanes are the biggest risks in the United States, but any insurer can withdraw cover for hazards it considers too risky to continue to cover.

Insurance retreat

Currently house insurance policies in Aotearoa cover major risks like natural disasters and fire. However, this isn't the case in Australia, where some flood risk insurances are sold as separate packages. Floods from rivers bursting their banks represent the biggest risk to properties in Australia.

A 2023 report from the Australian consumer advocacy group Choice into that country's insurance sector found that one insurer excluded *all* flood cover for certain properties, although the homeowners thought they had only been excluded from cover for river flooding. Other insurers enabled their customers to keep cover for flooding due to storm surge or rainwater but to opt out of cover for a river flood event.

Given the two main insurers in Aotearoa are Australian-based, there is real potential they could unbundle the policy protections New Zealanders currently have, requiring homeowners to purchase specific flood cover separately.

Kris Faafoi, in a 2025 radio interview, acknowledged it was possible insurers could carve off flood protection if a climate change adaptation framework isn't put in place in the near future.

Shrinking cover

Following the Auckland Anniversary weekend floods and Cyclone Gabrielle, we saw a form of insurance retreat in Aotearoa after central and local government drew up a plan to offer voluntary buyouts to owners of at-risk properties.

One of the biggest insurers in Aotearoa, IAG, said if homeowners didn't accept the voluntary buyouts offered after these weather events, their insurance would be cancelled. This didn't give homeowners much of a choice – they could either take the offer or live without insurance, putting them at considerable financial and physical risk should a similar event occur. This amounts to a kind of insurance retreat.

Belinda Storey, managing director of Climate Sigma and an expert in climate risk and how it relates to insurance, distinguishes between full and partial insurance retreat. She explains partial retreat as being when the insurer introduces terms that transfer more of the risk onto the homeowner, for example, by reducing cover, introducing a specific hazard excess or unbundling insurance to exclude a particular hazard. Full retreat is when the cost of insuring a particular hazard is too high, and the insurer withdraws completely.

Law firm MinterEllisonRuddWatts said a partial retreat happened in Christchurch after the earthquakes. Insurers placed caps on cover (sum insured), whereas previously, they had been uncapped (full replacement). Homeowners were unable to shop around for better cover because other insurers refused to take them on.

This approach to capping cover for natural disasters is evident countrywide now – not just in Christchurch. It may also signal a reduced willingness among insurers to cover all the shortfalls in the Natural Hazards Commission (NHC) cover.

To date, insurance retreat in Aotearoa has been reactive, and more of a creeping back of cover than a full retreat. However, the speed of retreat could easily escalate quickly. Storey points out that an insurer could completely exit the Aotearoa market in just 12 months because insurance contracts are annual.

Doesn't retreat mean the market is working?

At one level, it makes sense for insurers to get out of at-risk areas. In their paper 'Climate Risk, Insurance Retreat, and State Response' (2024), Associate Professor of Law Mark Nevitt of the Emory University school of law and Professor Michael Pappas of the University of Colorado law school, say insurers moving out of at-risk areas could be seen as a sign of a working market.

Essentially, the market is signalling that some areas aren't suitable for homes. Yet, while this may seem economically sensible, it has big social consequences. If insurers leave an area, new building and investment in that area will stop, and the insurers will be helping shape where people live in the future.

"Many see this as sound land use policy, driven by private economic forces that are pricing climate risk. Free-marketeers may cheer that the market is just doing its work, accounting for climate-destabilized financial risk while allowing individuals to make their own choices," Nevitt and Pappas state in their article.

But they also point out the matter is more complicated than that. The private insurance sector props up the property market.

Although administered by private businesses, because insurance protects properties and therefore communities, it becomes a public policy issue when insurers decide to withdraw cover or insurance becomes unaffordable.

Homeowners in hazard-affected areas are likely to have bought their properties without knowing the potential risks. The homes were all consented at some stage by the local council. And the ability to get insurance in the first place gives people a false sense of security that it's okay to live in a risky area. Both of those elements have created a moral hazard and place the mistakes of the past on the current homeowner.

If insurance in such areas then becomes unavailable or increasingly unaffordable, it can become near impossible for people to sell their properties, leaving individuals and whole communities financially vulnerable and in the firing line for extreme weather events.

Recommendations

Our surveys show New Zealanders have low awareness of how climate change will influence insurance over the coming years. This may be because respondents don't think their insurer deems their house risky – yet. Alternatively, it could be because, in a cost-of-living crisis, immediate concerns take precedence in people's lives, and the impacts of climate change are just too much to think about.

It is clear that insurance companies can and do change their policies in reaction to climate change risks and may eventually retreat. While this can be viewed as a clear market signal that people need to move away from risky areas, it has obvious implications for our communities, property market and economic stability.

The insurance industry is calling for an adaptation framework, with good planning and funding at the local level for risk reduction, including protective measures, along with planned relocation. This will keep insurance available and affordable. Yet New Zealanders need to be involved in any discussions about adaptation; it shouldn't be left to insurers alone.

The first step is to increase New Zealanders' awareness of the risks climate change is bringing to their homes. One factor that would help this would be for insurers to be more transparent with their customers about the impact climate change is having on the homeowner's insurance.

There also needs to be a consistent way of assessing the risk nationally and ensuring local government provides reliable risk assessments on properties.

We recommend

1. Householders and renters should be provided with more information about the natural hazards risks they face, so they are more aware of how climate change will impact their homes. This information needs to come from insurers, the NHC, local councils and, where appropriate, landlords and property managers.
2. The government should develop a climate adaptation framework that clarifies what the plans are for homes at risk in terms of mitigations, adaptation or retreat and how such changes will be paid for.

New Zealanders need to be involved in any discussions about adaptation; it shouldn't be left to insurers alone.

03
Climate adaptation

The need for effective climate adaptation planning, roles and responsibilities, and funding

Without effective climate adaptation legislation and a related planning and funding framework, house and contents insurance in Aotearoa will become prohibitively expensive and ultimately could lead to insurers leaving the market.

While there appears to be agreement within the government about the need for an adaptation framework, that agreement crumbles when it comes to who will pay for it. Yet, an adaptation plan is critical.

Having a well thought out and implemented plan will help:

- local and central government ascertain the risks and put in place measures to mitigate those risks
- keep insurance affordable and available
- inform planning and financial decisions in the wake of natural disasters, giving local councils and residents a framework for understanding the implications and making consistent decisions.

However, such a plan needs to be reinforced by suitable adaptation legislation. Without appropriate laws and a solid plan, it is likely that those in our society who can least afford it will bear the brunt of climate change.

Case study: A rollercoaster ride

Nina and Andy were tramping on Stewart Island / Rakiura when Cyclone Gabrielle hit Piha in February 2023. The couple are involved in emergency response in the Piha community, so as soon as they got into cell phone coverage, their phones started pinging with alerts.

On their way back to Auckland, a friend rang to tell them a landslide had reached their backdoor. Silt had gone through the main living areas of their house.

"We walked in, and we had a tree through the kitchen wall, a whole lot of debris through the kitchen window and sludge had come through the backdoor and through the main living areas of the house, but it was only 10cm high, so it wasn't too bad."

The house was red stickered a few days later, meaning the council deemed it too unsafe to enter. The couple couch surfed for a few days before they found a house to rent.

"We thought, you know, this is a pretty crappy situation, but the house wasn't that damaged. And we'd be covered by insurance, so if we couldn't get back into the house, no problem. So, when the insurance assessor was sitting down with us a few days later, kind of going, well, you know, insurance only covers the house, so you've got the [Natural Hazards Commission], for the land, obviously, but if you can't get back into your house because the council says it's too unsafe, that won't be covered by insurance; that was a big shock," Nina said.

While insurance would cover any damage to the house, it wouldn't pay if the house were unscathed but the council said it was no longer safe to live in it because of the danger from unstable surrounding land.

"If the house had been wiped out completely, we would have been well covered by insurance, and it wouldn't have been much of a problem. But because there was only a little damage, they only pay for that damage. Meanwhile, the council was saying the slip behind the house was potentially dangerous and they might not let us move back in."

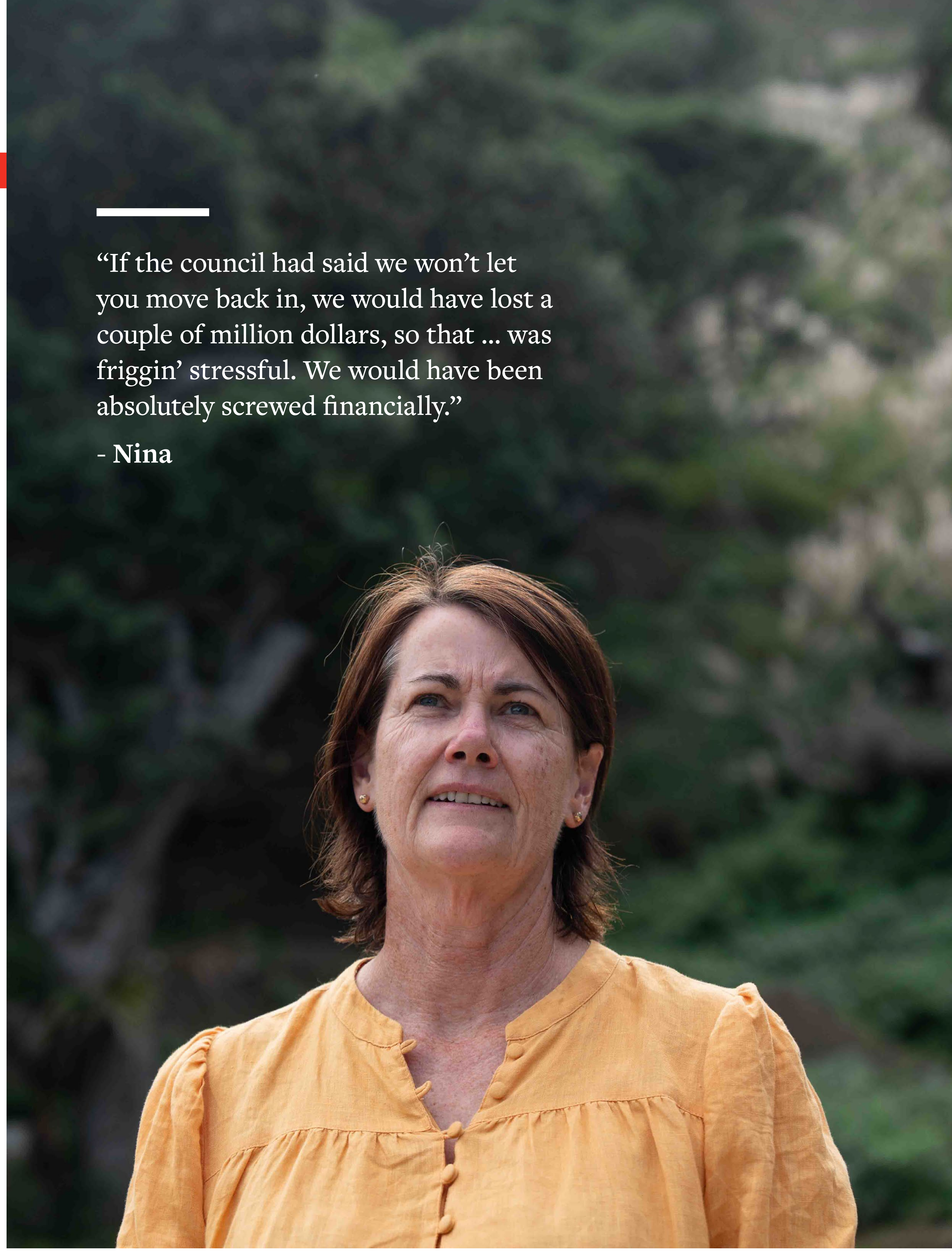
Nina said her local council was great but was creating its buyout framework as it went, so it perhaps took longer than it should have.

"The council have been, I think, incredible throughout this whole process, you know. Things have taken a long time, but they've had to rewrite the whole process because this has never happened before, so it's setting precedents and doing things on the fly, making sure it's all legally viable.

"If the council had said we won't let you move back in, we would have lost a couple of million dollars, so that … was friggin' stressful. We would have been absolutely screwed financially."

Nina and Andy got a category 3 listing on their house in March 2024, meaning the council bought them out – over a year after the event.

"There was a lot of rollercoasters [in that time] even just finding out the categorisation, whether or not you'd be paid, so that was massive. … It was incredibly stressful."



"If the council had said we won't let you move back in, we would have lost a couple of million dollars, so that … was friggin' stressful. We would have been absolutely screwed financially."

- Nina

The need for such a framework or plan is strongly supported by Consumer NZ's Sentiment Tracker research, which shows 72% of respondents think we need a plan to help communities adapt to climate change.

According to 'Premiums under Pressure: How climate change is reshaping residential property insurance and what to do about it', a report published by The Helen Clark Foundation in partnership with WSP New Zealand that looks at how climate change is increasing insurance premiums, without a framework in place, insurance premiums "can be expected to rise far quicker than they otherwise would".

A New Zealand Institute of Economic Research (NZIER) report about incentivising investment into climate resilience goes a step further, saying the market could fail if the risks of climate change were not communicated clearly or one party had more information about the risk than another.

In essence, the government's current lack of action could lead to an insurance market failure.

Table 3.1: Percentage of Sentiment Tracker respondents who think New Zealand should have a plan to help communities adapt to climate change risks like flooding and extreme weather, 2025

Yes	72%
No	12%
I'm not sure	15%
Total	100%
Number of respondents	1,000

Source: Consumer NZ Sentiment Tracker April 2025

Attempts to instigate an adaptation plan

The previous government released a national adaptation plan in 2022 that recommended reforming the resource management system. Part of the reform involved repealing the Resource Management Act 1991 (RMA) and replacing it with three new pieces of legislation, one of which was the Climate Adaptation Act.

In December 2023, the current government repealed much of those new reforms. However, it has been working to reform the RMA itself by creating two pieces of legislation; the first dealing with land-use planning and the second with natural resource management.

The government is also drafting a national policy statement for natural hazards decision making.

In September 2024, the government's finance and expenditure select committee published a report outlining its inquiry into climate adaptation. The inquiry was an attempt to get cross-party support for a framework to guide how Aotearoa adapts to climate change.

> Connection to place, to whenua, may mean people stay put regardless of the risk – which means it's up to the government to take action. Relying on premiums and the market isn't going to work.

In its report, the committee recommended 10 objectives and 11 principles to guide an adaptation framework. Among the objectives was a recommendation that the government legislate for a national climate adaptation framework, including how it will be paid for and what resources are needed to support it. Other recommendations included improving information about climate risks and responses, balancing leadership between central and local governments, incentivising mitigation, minimising long-term costs and ensuring any funding is "predictable, principled, fair, and rules-based wherever possible". Reducing hardship, ensuring equity and upholding Te Tiriti o Waitangi also featured.

The report's framework principles section mentions the importance of ensuring the insurance, housing and financial markets are efficient. The report states that, the more insurance prices reflect risk, "the more efficient outcomes will be".

However, 'Premiums under Pressure' suggests there isn't much evidence to back up this statement. It acknowledges that intervening in insurance could lead to people staying in at-risk areas, but questions whether insurers should be the ones sending the signals about where people should live. Instead, it says the government should be taking the lead to indicate risk, by putting in place a climate adaptation policy and regulations.

Currently, though, it appears the government has delegated to insurers the responsibility to decide who lives where.

'Premiums under Pressure' also questions whether high insurance bills encourage people to mitigate risks or leave areas. According to the report, research done so far in this area "suggests that impacts on risk reduction may be modest" and that it's "likely that many people will make the call to stay in their homes and forgo costly insurance". Connection to place, to whenua, may mean people stay put regardless of the risk – which means it's up to the government to take action. Relying on premiums and the market isn't going to work.

The government is taking *some* action. The Ministry for the Environment is currently working on climate adaptation plans. The Climate Change Commission is also working on the next national climate change risk assessment, which is carried out every 6 years.

More is needed though. Despite its host of recommendations, the finance and expenditure select committee's inquiry reported its committee members' concern about "the report not answering some of the most challenging questions around, for example, the weighting given to allocative principles on 'who pays' and thus worry about its value in directing officials in legal drafting".

While such frankness is refreshing, it also demonstrates there's a lot more work to do to ensure Aotearoa develops a fair and equitable framework for climate adaptation.

A framework's role in planning and financial decisions after a natural disaster

Currently, because of the lack of a climate adaptation framework, the cost sharing arrangement after a disaster is worked out on an ad-hoc basis. This after-the-event approach has obvious downfalls.

Following Cyclone Gabrielle, the property categorisation process in Auckland took a while to set up, creating confusion and uncertainty "for some homeowners and further delaying the resolution of claims," the Insurance Council of New Zealand (ICNZ) said. The process involved the council assessing storm-affected properties to see whether they were safe to return to or not. It developed different categories of risk, ranging from 'intolerable risk to life', which meant people couldn't return to their homes, through to 'no risk' if mitigations were put in place in the community or at the home. Some homes, after being assessed, were deemed safe.

ICNZ also noted that some homeowners spent their insurance payouts on repairs to properties that they were later forced to abandon. "This took a toll on homeowners and resulted in insurers spending time and money on repairs that were not required," ICNZ said.

It also meant that local and central government had to pay more in the buyout process where insurance money had already been spent. Generally, the buyout value is 95% of the property's market value before the event minus any insurance payout. However, in instances where insurance had already been paid out, homeowners could apply to their local council and claim for those funds not to be deducted.

The cost sharing between central and local government and insurers is in line with consumer perceptions of who should pay for buyouts – based on responses to our Sentiment Tracker research, although, respondents thought insurers should be paying the greatest share, followed by central government.

Table 3.2: Percentage of Sentiment Tracker respondents who think costs to buy out a property in the wake of a natural disaster should be split between government and insurers

Insurance companies	56%
Central government	50%
Local councils	37%
Homeowners / property owners	13%
Someone else	1%
Don't know	10%
Total	166%
Number of respondents	1,000

Source: Consumer NZ Sentiment Tracker April 2025

Providing certainty

ICNZ recently requested information from Auckland Council about properties listed as category 3, where a buyout process is initiated because of an intolerable risk to life. ICNZ asked for the information because the council couldn't provide a public map or geographic information system (GIS) with the details, unlike Hawke's Bay Regional Council, which has made the equivalent information publicly available.

A spokesperson for Auckland Council said the council provided ICNZ with a list of property categories in late 2023 and has since provided updates every 6 to 8 weeks. Flood hazard and landslide susceptibility information is also publicly available via its tools.

It also mentioned that applying categories to properties needed to happen at the properties, whereas in Hawke's Bay, entire tranches of land were designated category 3 regardless of whether homes were on the land.

Homeowners can receive conflicting messages from their insurers and council after central and local government have come to an agreement about the categorisation and buyout process. For example, after the North Island weather events, the Auckland Council assigned certain properties as being eligible for voluntary buyout and the decision whether to accept a buyout was left to homeowners. However, insurers were telling the homeowners that if they didn't take the offer, they would no longer be insured.

Having a climate adaptation framework in place will help provide certainty around what will happen after a natural disaster, including who is responsible for what and who will pay for it – and, whether there should be a compulsion for people to move away from at-risk areas.

Time frames

Not having a framework in place can slow down the process of reinstating people to their homes, leaving people to live with financial uncertainty until clear direction can be given.

Our latest Sentiment Tracker survey asked how long respondents expected a buyout process to take after a natural disaster. Most thought it should happen within 6 months (34%), while 28% said it should be done within 2 months. A smaller percentage said it could take up to a year (17%) or 18 months (6%).

The buyout process for the North Island weather events was confirmed by the government and the council on 1 June 2023, some 5 months after the event. Homeowners opted into the process, and there were specified time periods within which homeowners could think about the market valuation provided for their property and the final sales agreement. However, such time frames impact how long a settlement can take.

Auckland Council told us that, on average, once a property owner had opted into a buyout process, it took 5 months to complete the settlement. However, the process can be as short as 2.5 months or as long as 12 months. Factors such as the time taken to resolve the insurance and any potential disputes, personal circumstances and the homeowner's availability to attend inspections all affect the time frames. The North Island weather event recovery scheme ends at the end of 2025, so at present, there is pressure to ensure all final sale and purchase agreements are in place by 19 December 2025.

The buyout processes in Auckland and Hawke's Bay are likely to raise expectations among New Zealanders about the financial support they can expect after a natural disaster. This raises concerns about whether, and for how long, the government, and local councils, will be able to continue to pay for such support.

Professor Jonathan Boston, a policy expert on insurance issues, notes the response taken in the wake of Cyclone Gabrielle and the Auckland Anniversary floods, will be "neither adequate nor desirable" in the future.

In his 2024 book, *A Radically Different World: Preparing for Climate Change*, Boston notes the $2 billion cost sharing agreement between Auckland Council and central government for damages after both Cyclone Gabrielle and the Anniversary Weekend floods. The government paid most of it, with $908 million coming from the council. In the Hawke's Bay, $556 million was shared between central government and five Hawke's Bay councils, with another $204 million raised for Tairāwhiti.

Boston said these funding arrangements have created an expectation that local councils (that is, the ratepayers) will pay half of the bill, but some councils just won't have the money to do so, which could exacerbate inequality.

"That's why I think we need climate change adaptation legislation, which sets the framework for all this, for the future, so that we aren't limping from one disaster to another and kind of making it up as we go, and changing the rules as we go, depending on the politics of the situation. Unfortunately, we have a situation where prior to events, governments are reluctant to make the hard calls. And then, of course, after an event, they feel obliged to be seen to be reasonably generous," he said.

Rather than central and local governments arranging the funding between them on a case-by-case basis, Boston thinks the government should create an adaptation fund that helps communities rebuild after a natural disaster.

An opposing view, published in the Independent Reference Group on Climate Adaptation's 2025 report 'A Proposed Approach for New Zealand's Adaptation Framework' recommended that government buyouts of individual properties stop and the onus be put on homeowners to do more due diligence when buying property.

While it recommends a transition period of about 20 years before we get to this state, it is interesting that it advocates for individual responsibility over a shared response to climate change.

Who should pay for climate change adaptation?

In our Sentiment Tracker survey, we asked who should help pay to protect homes from future flooding or other climate-change-related events.

While most respondents thought central government should be responsible for funding, local councils, insurance companies and homeowners were also part of the mix, indicating support for a shared responsibility of the financial burden.

The finance and expenditure committee inquiry into climate adaptation was unable to provide a definitive answer to the question. Yet, not deciding who pays is likely to impact those who can least afford it, according to Boston – in particular, people on low incomes, tenants and homeowners who don't have much equity in their homes and those with significant health issues or disabilities.

There are examples of adaptation funds being established overseas that Aotearoa could use as a model. The 'Premiums under Pressure' report notes a scheme in France called the Fonds Barnier, which exists to prevent or protect property and people being exposed to major natural hazard risks. The fund gets its revenue through government contributions and a levy on property insurance, which adds about $10 annually to an insurance premium.

Fonds Barnier can be accessed by individuals, local councils and small businesses to finance mitigations for buildings exposed to natural disasters. It's also used for property buyouts where the cost of mitigation is more than the cost of relocation.

The Expert Working Group on Managed Retreat, which was formed to consider aspects of retreat and adaptation for our country's Ministry for the Environment, has posited two options to pay for planned relocations due to climate change in Aotearoa: a separate levy to cover the cost, likely topped up by additional government contributions and taxation, and a stamp duty on property sales.

A 2023 report by the not-for-profit environmental organisation Environmental Defence Society summarised six managed relocation models from overseas, paid for by a mix of sources. In some cases, funding came entirely from central government, while in others it was a combination of federal and state government funding, insurance and donations.

"Local councils were not generally expected to fund programmes, although they were often the key implementers of managed relocation," the report's authors said.

Table 3.3: Percentage of Sentiment Tracker respondents who think climate adaptation costs should be split between government, local councils and insurers

Central government	61%
Local councils	48%
Insurance companies	46%
Homeowners /property owners	45%
Someone else	1%
Unsure	8%
Total	209%
Number of respondents	1,000

Source: Consumer NZ Sentiment Tracker April 2025

Ensuring intergenerational fairness

The concept of intergenerational fairness is becoming a feature of climate change discussions in Europe, with the aim of ensuring short-term and politically expedient policy decisions don't negatively impact future generations.

If Earth's resources continue to be depleted, and greenhouse gas emissions aren't significantly reduced, the planet will continue to get exponentially warmer, with huge environmental, financial and moral risks and injustices to future generations.

Four European countries have integrated the impacts on future generations into their decision-making. Finland, Hungary, Lithuania and Wales all have a committee or commission in place to scrutinise policy decisions that will impact future generations.

In the European Union, intergenerational fairness is a core principle enshrined in law, although how that law is enacted is unclear, with questions around how to weigh and measure various outcomes over time still to be resolved.

Back in Aotearoa, the RMA acknowledges the need to protect natural and physical resources for future generations. However, the RMA is currently being revised, with plans to split it into two acts: the Planning Act and the Natural Environment Act. Whether reference to protecting resources for future generations stays in the new legislation remains to be seen.

There is also reference to considerations of intergenerational risks in the Climate Change Response (Zero Carbon) Amendment Act 2019. The act's purpose is to develop and implement clear climate change policies that contribute to the global effort of reducing emissions, as well as help the country prepare and adapt to the effects of climate change. The act established the Climate Change Commission, charging it with assessing climate change risks to Aotearoa every 6 years. However, the commission's assessment of the national adaptation plan, published in 2024, did not include intergenerational fairness as a principle.

The Expert Working Group on Managed Retreat says intergenerational impact should be considered when planning and paying for planned adaptation.

"Intergenerational fairness means that present generations cannot minimise the likely impact of climate change and avoid taking action, or simply leave the problems it will cause to be dealt with by future generations … Fairness requires that we attempt to mitigate the rate and impact of climate change now, by reducing or eliminating its human-related causes and that we put in place measures to address its ongoing and long-term impacts, including through planned relocation."

The group considers current generations should be reducing emissions, using resources fairly and allocating some funding to offset future financial costs of adaptation. It also suggests a dedicated adaptation fund be set up.

The final (2023) report of the Panel for the Review into the Future for Local Government also recommended setting up an intergenerational fund to help pay for climate change adaptation.

Recommendations

Without an effective climate adaptation framework, there is a possibility insurers will deem homes in Aotearoa too risky to insure and will exit the market.

While the insurance industry is calling for adaptation, it shouldn't be up to companies with shareholders to pay to lead the adaptation process. This is a community and public policy issue, and the government needs to take the lead and develop legislation and plans for mitigating and adapting to climate change.

Part of any plan will be deciding how climate adaptation is to be paid for. From our surveying, there is a clear sentiment among consumers that costs need to be shared between all parties – insurers, central and local government, and property owners.

Having an effective adaptation plan and framework that is adequately funded will keep insurers in Aotearoa and insurance available for all homeowners.

We recommend

1. The government should develop effective climate adaptation legislation, with cross-party consensus, supported by an effective national framework that outlines how climate risks will be assessed, managed and paid for. This legislation should clearly define the roles and responsibilities of central and local government, the insurance industry and property owners.

2. Insurers should offer innovative policies that encourage property owners to mitigate the risks to their properties, as well as provide incentives to homeowners to build back stronger after they make insurance claims.

04
Local authorities

The resources and tools to aid climate adaptation for housing development and infrastructure projects

Local councils are at the front line of adapting, or attempting to adapt, their communities to climate change. Yet, despite various planning rules, we're still building in dumb places.

While legislation is in train to help clarify the rules governing where people can build, it remains to be seen whether such legislation will be effective. In the meantime, local councils have few resources or tools at their disposal to inform and help with climate adaptation, and assessing risk is expensive and requires expertise. While larger councils may have access to more resources, smaller councils have little.

There's also no consistent nationwide framework for how to measure risk or the time frames over which risks should be measured. This means the science can be contested by homeowners, as can hazard notices, which in turn is likely to cause councils to be hesitant to take radical steps to address climate change, and this approach may cost communities in the long run.

For this reason, local councils need adaptation legislation and a related framework, along with central government financing, to adapt to climate change. They also need insurers to step up and be more proactive about sharing hazard information and provide clear guidance about which mitigations will bring down premium prices – both for councils and homeowners. The role of insurance companies in helping to pay for some infrastructure also needs to be considered.

Case study: Ghosted

Former Kāpiti Coast District Council (KCDC) mayor Gurunathan Krishnasamy (Guru) wrote an open letter to Insurance Council of New Zealand (ICNZ) chief executive Kris Faafoi in May 2025 asking for input on the insurability of homes along the coast. KCDC had also written to ICNZ 6 months earlier and hadn't received a response.

KCDC has now been working with its community for over a decade, looking for the best ways to adapt to sea level rise. In 2012, the implementation of a 50- and 100-year coastal hazard line, affecting 1,800 properties, met with push-back legal action from residents. KCDC defended the case but committed to engaging more with the community. A subsequent report, produced as a result of community engagement, recommended KCDC seek advice from the insurance industry about the insurability of impacted properties.

At the time of writing, the industry had still not responded.

Guru finds this frustrating given the amount of data and relevant information the insurance industry holds. And there is still community unease about the projected sea level rise in the area, with the science being challenged by some in the community.

It's vital that local councils have access to the right information to help ease residents' concerns and get them on board with mitigation and adaptation plans.

The insurance industry needs to step up and provide information when asked, to either reassure residents that their main asset will be insurable, or if it isn't, explain what mitigations need to happen to ensure it is – or flag when it is best to shift away. The government needs to step up, too.

Meanwhile, the KCDC still doesn't have an adaptation plan. "Clarifying coastal hazards and relevant protections remain a complex topic for the Kāpiti Coast district," a KCDC spokesperson said.

Despite the community engagement, a path towards an adaptation plan still feels out of reach.

"Continued uncertainty around the science and sufficiency of the evidence base that should be used to project sea level rise, and requirement to take a 100-year perspective for planning purposes, hampered progress. Council has raised concerns with the Ministry for the Environment and Department of Conservation on both matters and awaits further advice around how changes to existing settings through current reform may address this feedback."

On a more positive note, KCDC is monitoring its coastline and has preventative action underway to manage coastal hazards through maintaining sand-dunes and seawalls. "Evidence currently to hand indicates that these measures are effective," the spokesperson said. However, they added, "Central government will need to play a role if and when these protections are no longer effective. Further, the community is seeking central government support to place pressure on insurance providers so that premiums take into account current protections and adjusted risk.

"Councils need greater clarity and certainty over the evidence and time frames that are required to underpin coastal hazard risk assessments and access to resources to enable them to engage effectively with communities with confidence and mitigate the risk of litigation. Councils also need access to funding tools to help them prepare for and manage the impacts of sea level rise."

We're still building in dumb places

Given the more frequent weather events and higher insurance bills, you'd think New Zealanders would be making sure they're building in appropriate places; but this isn't the case.

Senior Radio New Zealand journalist Kate Newton reported in January 2024 that Auckland Council had consented 1,415 new homes on flood-plains since the 2023 extreme weather events. An Auckland councillor quoted in Newton's report said the council was "hamstrung by current planning rules and a lack of direction from central government".

Mace Ward, the group recovery manager at Auckland Council, explained that different planning rules meant it was possible to build in a hazard prone area.

"We had requirements under the previous government to deliver higher urban densities, and that's stopping us doing some work to strengthen our district plan, what we call the Auckland Unitary Plan for natural hazards. So, in some cases, we cannot refuse people building in some of these locations yet."

In a cross-party agreement, the previous government developed legislation allowing higher density housing in our most populous cities (the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021).

> "There are many factors that affect urban planning decisions, including demand for housing, environmental sustainability and efficient use of infrastructure. Insurance is unlikely to have any impact on planning decisions made by councils and developers."
>
> **- Insurance Council of New Zealand**

More recently, the National-led coalition has begun changing the legislation. In a bill before parliament, the government is proposing councils be allowed to decide whether or not to keep, change or remove the density housing rules. However, they still need to have a plan for 30 years of housing growth.

The new bill also strengthens councils' ability to "decline land-use consents or to apply appropriate conditions where there are significant risks of natural hazards," minister of housing and infrastructure Chris Bishop said in his address to parliament when he introduced the bill. Bishop also said the government is working on a national natural hazard direction as part of its Resource Management Act (RMA) reforms.

Ward said he's encouraged by the changes the government has made to enable the council to strengthen the Auckland Unitary Plan while still meeting demand for growth.

These measures, along with the broader reporting requirements on land information memoranda (LIMs) that came into force on 1 July 2025 will hopefully give local councils more power to decline consents when those consents relate to natural hazard areas.

However, there are still the issues of how councils can fund natural hazard mapping and the evidence needed and potential liability risk from property developers and homeowners when consent is declined.

There have been calls for insurers to also be involved in discussions about building consents. Currently, they aren't involved in assessing whether prospective properties on sections of land are insurable before the land is zoned or consented for development.

According to the Insurance Council of New Zealand (ICNZ), "There are many factors that affect urban planning decisions, including demand for housing, environmental sustainability and efficient use of infrastructure. Insurance is unlikely to have any impact on planning decisions made by councils and developers."

But perhaps it should. If an area is exposed to natural hazards and is therefore very expensive to insure, that's a clear signal that people shouldn't be building in that spot.

Professor Jonathan Boston, a policy expert on insurance issues, suggests developers could be required to give evidence that they expect affordable insurance cover to be available for the property for many decades to come, as part of the consent process.

In Switzerland, public insurers (equivalent to this country's Natural Hazards Commission, NHC) are part of the consenting process. While Boston notes the impact of climate change is uncertain and insurers are unlikely to give multi-year guarantees of coverage, it would still be helpful to have their input as to whether new buildings in specific areas will be insurable and for how long.

More natural hazard information in LIMs

One of the ways a potential homeowner can assess whether a property is in a risky area is by looking at the property's LIM.

The LIM contains all the information a council knows about the property and lists any special features of the land, such as gradual subsidence, flooding or possible contamination or hazardous substances.

Under Auckland Council's adaptation grant scheme, any property adaptations that receive funding will be noted on a property's LIM.

The grant scheme was part of the council's recovery plan after the extreme weather events of 2023. It applies to areas labelled as category 2P, where risk can be managed at a property by putting in flood protection or land stabilisation. Homeowners can apply for grants of up to 25% of the property's 2023 market value to pay for adaptation works to reduce the risks to their home. Adaptations can include raising the house, relocating it to a new position on the property, strengthening foundations, diverting water from the house, providing alternative exit options and stabilising land, for example, using retaining walls.

The Auckland Council Homeowner Handbook notes that, once work funded by the grant is complete, "The LIM notice that has been applied to the property will be updated, to advise that the work intended to mitigate the risk has been completed". This enables prospective buyers to see what work has been done, along with the natural hazard risks to the property.

A spokesperson for Auckland Council explained that the Local Government Official Information and Meetings Act 1987 prescribes what information councils need to put on LIMs. The legislation also gives councils discretion to add information.

"The assessment considers whether a prospective purchaser would reasonably want to be aware of the information," the spokesperson said.

Mike Wakefield is a planning and environment partner at law firm Simpson Grierson. He said any hazard mitigation work that requires building consent would typically be recorded on the LIM.

"If the work was required to address a hazard relating to the property, then information about that hazard should be recorded on the LIM in any case.

"The LIM provisions in the Local Government Official Information and Meetings Act are already geared to require consent and hazard information to be included in LIMs, so that notice is given to prospective purchasers of relevant matters affecting land," he said.

On one hand, carrying out work to prevent possible damage makes complete sense. It protects people and their homes, and should also factor into insurance premiums, hopefully meaning insurance remains available and affordable.

On the other hand, there could be a negative impact for property values when potential buyers see the information on the LIM. Yet Wakefield says having the mitigation work completed would be expected to have a "positive impact on property value".

Lack of data to support hazard notices

In situations where natural hazard risks that affect a property can't be sufficiently mitigated in relation to planned building work on the property, building consent authorities (usually the local council) can require a notice be placed on the property's title. Such notices are commonly referred to as section 73 notices, after the section of the Building Act 2004 that provides for them.

Section 73 notices let prospective buyers know about the risks and protect the council from liability should a property be affected by a natural disaster.

Having a section 73 notice placed on a property has big implications for insurance. Ministry of Business, Innovation and Employment (MBIE) guidance says the NHC can decline to provide insurance cover for properties subject to a section 73 notice, depending on the nature of the hazard. Private insurers can also decline cover.

The lack of insurance also means a bank wouldn't provide a mortgage for the property.

We asked 13 councils how many section 73 notices were on the titles of residential properties in their areas. Different councils provided figures for varying periods. Since 2005, Nelson City Council has issued 317 notices, while the total figure for Auckland Council is 1,439. Down the bottom of the country, there are 15 properties in Invercargill and Bluff with a hazard notice.

Wellington City Council told us the search to find the notices would have been too labour intensive, Porirua City council wouldn't provide details for us and we didn't hear back from Hamilton or Dunedin councils.

Land Information New Zealand (LINZ), which is responsible for placing section 73 notices on titles, keeps details of all notices on residential and commercial buildings nationwide – there are nearly 7,000. However, it doesn't separate the two types of buildings.

Councils make the decision to impose a section 73 notice, although property owners can challenge the decisions. At present, a case affecting a Mount Maunganui property is being appealed. In 2023, Tauranga City Council received a building consent application for the property, which was within a major overland flow path. This meant that, in a 1-in-100-year flood, the property's driveway and garage, and the land beneath the house, could potentially be flooded.

The council determined that the stormwater measures proposed to mitigate the risk wouldn't prevent flooding, so it placed a section 73 notice on the property. The owners contested the decision, arguing that adequate mitigations had been made and any flooding would be minimal. MBIE agreed the flooding hazard was likely and the land would be affected in the case of a flood. However, it found that the council hadn't identified or provided evidence to support what damage would be caused.

Tauranga City Council has now appealed MBIE's decision, with the case set to be heard later this year. In the council's view, the decision, "creates a significant liability risk for its ratepayers when consenting development in areas known to flood."

If such disputes become more common, both homeowners and councils are likely to have to spend more time and money gathering evidence to support their case. Due to resource constraints, this could make it harder for councils to apply section 73 notices, meaning more homes will be built in areas prone to hazards.

> "In general, more clarity in relation to identifying hazards, and then assessing the degree to which a hazard could put people or property at risk, and what approach should be taken to respond to that risk, would be of real benefit to councils."
>
> **- Mike Wakefield,** planning and environment partner Simpson Grierson

As Wakefield explained, getting the relevant evidence, particularly about flood modelling, is expensive, and councils may not have the relevant expertise to gather it.

Risk profiles can also change over time.

"There is no single national source of flood modelling data, so flood modelling exercises are undertaken across the country to ensure each council understands the risks relating to its own district.

"There can also be variation between different models, based on the inputs and assumptions used," Wakefield said.

From 1 July 2025, broader hazard information will be included on LIMs, which must now identify each natural hazard where there is a "reasonable possibility" the hazard will affect the land. Regional councils will also be required to provide the city and district councils in their region with information about natural hazards.

While this will ensure people seeking information about a property receive more detail, the natural hazards provisions in the Building Act won't change.

Wakefield said that, although there is guidance available to help local councils apply the Building Act, councils need more support to identify hazards and understand to what degree people and property are at risk because of those hazards.

"In general, more clarity in relation to identifying hazards, and then assessing the degree to which a hazard could put people or property at risk, and what approach should be taken to respond to that risk, would be of real benefit to councils."

Potential reform could be on the way through changes to the RMA and the new National Policy Statement on Natural Hazards, which is currently under consideration.

"If this goes ahead, then it could result in a more uniform approach to hazard identification and mapping across the country, and in turn inform the development of an improved regulatory framework for land use and building in areas affected by hazards," Wakefield said.

The effect of infrastructure liability on local councils and residents

On 6 April 2017, ex-tropical Cyclone Debbie hit the Bay of Plenty. A stopbank on the Rangitaiki River broke and inundated the town of Edgecumbe.

Damage to properties was made worse because of the speed at which the water entered the town. Generally, flood waters rise slowly but steadily, but because the stopbank failed, the water gushed through. Nearly 1,600 people had to evacuate. Sixteen homes were destroyed and there was extensive damage to 250 others. Thankfully, there were no deaths.

An independent report into the stopbank's failure found water had got beneath the material that formed the bank, building up pressure and eventually bursting through. Factors such as the way the foundation had been laid in 1973, an earthquake in 1987 and a concrete pad fixed to the stopbank in 2012 all may have contributed to the build-up of pressure.

In addition, spillways in two areas that formed part of a regional flood scheme hadn't been completed at the time of the cyclone. If they had been, they might have released some of the pressure by diverting water. Flaws in the design of the spillways were also found.

Now, some 8 years later, the regional council is in court. In May 2023, a lawsuit was filed on behalf of four Edgecumbe residents and one business seeking $4 million in damages, as well as costs and interest.

Then, in 2024, insurance companies IAG, QBE, Vero, Tower and AA Insurance filed court proceedings against the Bay of Plenty Regional Council and Whakatāne District Council. Although the regional council has liability insurance to help pay its legal costs, this is nowhere near sufficient to cover the cost of going to trial, which it estimates at about $7 million.

This isn't the first time IAG has taken legal action after a disaster. After the 2017 Christchurch Port Hills wildfires, IAG coordinated 73 plaintiffs to recover $14.7 million of alleged losses from Orion, a lines company.

Cases like these have a potentially chilling impact on local councils' efforts to adapt to climate change. A 2012 Australian Government Productivity Commission inquiry report, 'Barriers to Effective Climate Change Adaptation', found that local authorities were exposed to liability if they did nothing to adapt for climate change. Yet, when they did do something, the validity of the adaptation could also be legally challenged, and councils could be found financially responsible for compensating homeowners. For example, if they had to pay out people because of an adaptation failure.

These potential legal risks meant the authorities were taking a restrained approach to adapt to climate change. The report proposed potential solutions – such as, protecting local authorities from legal liability and only making them accountable where they didn't act in good faith or made a completely unreasonable decision. The implication was that having clear guidance on making climate change adaptations was vital.

Ultimately, however, it means ratepayers will be left paying the price – for legal costs, higher insurance premiums due to failing infrastructure, the council's higher insurance costs and replacing the infrastructure.

Kris Faafoi, chief executive of ICNZ, has a view on whether legal actions to challenging infrastructure decisions have a negative effect on local councils.

"When you're going to put in infrastructure, then there is a responsibility to maintain and manage that to a degree that the community feels confident that it's going to do the job … for insurers, where there's a chance of repeat losses, where things haven't been maintained or managed, they would [take legal action]."

The inference was that insurers were the ones making sure infrastructure was working properly; and where infrastructure failed, insurers were working on behalf of homeowners and consumers to make it better. Yet, insurers are businesses with the primary purpose of making money for shareholders. It's highly questionable for them to suggest they're the best placed to work with communities to hold local councils to account. The current legal actions in the Bay of Plenty are likely a way for insurers to recoup their losses and to mitigate any future losses that might impact their profit margins and returns to shareholders.

Flood protection schemes all have technical limits: they are built for certain scenarios, and if those scenarios are exceeded, the protection could fail. Rules and criteria about climate adaptation and mitigation measures are a public policy decision. They affect individuals and communities, not just insurers. Central and local government, iwi, businesses and the wider public should be part of the conversation to develop plans for adapting to the impacts of climate change.

The current legal actions in the Bay of Plenty are likely a way for insurers to recoup their losses and to mitigate any future losses that might impact their profit margins and returns to shareholders.

"The big question around adaptation work is around who pays. So, everyone will pay in some way, shape or form in the end. For us, there's a balance to make sure we can keep insurance affordable and available."

– Kris Faafoi, chief executive Insurance Council of New Zealand

Homeowners adaptations to their properties

In Consumer NZ's 2024 insurance research, we found that 24% of respondents had, or were considering taking, measures to protect their homes and properties from weather events, such as floods. Meanwhile, 70% weren't thinking of it at all, while 5% were unsure. This could be because insurers aren't communicating with policy holders about the impact climate change is likely to have on their premiums. Just 14% of respondents said their insurer had provided them with such information.

Alternatively, homeowners might be finding the cost of any potential changes to their properties beyond their means.

Overseas, there are examples of insurers reducing premiums if homeowners are proactive about making mitigations to their properties. In Germany, insurers are issuing 'flood passports' to households that voluntarily carry out assessments to their homes. The mitigations are checked by a certified building surveyor who assesses how resilient (or vulnerable) a house is to floods.

Schemes like this show how, rather than penalising homeowners with high premiums, insurers can incentivise risk reduction.

We asked ICNZ whether Aotearoa homeowners could expect cheaper premiums if they proactively made mitigations to their properties.

ICNZ said insurers make premium decisions based on a number of factors, including hazard information available from local councils and elsewhere. It suggested property owners "should contact their insurer about any mitigations that have been undertaken as the insurer won't necessarily be aware of any work done".

Currently, ICNZ is lobbying the government for climate change adaptation legislation, yet there seems to be little initiative or innovation coming from insurers themselves to encourage climate adaptation via house insurance policy offerings. We think there should be.

Helping communities pay for adaptation

In some areas of Auckland, whole communities need flood protection. At this stage, Auckland Council will be footing the bill for that work. If central government doesn't help out, that cost will ultimately fall on ratepayers, and the price tag won't be cheap.

Flood protection in Te Ararata and Harania in Māngere started in April 2025 and is expected to cost $53 million. Henderson and Massey also have projects already scoped out that will cost up to $90 million. Flood protection needed in other Auckland areas – Wairau Valley in Kaipātiki; Sunnynook and Milford in North Shore and Hillsborough – is likely to cost up to $400 million in total.

Like mitigations to individual properties, area-wide flood protection keeps people safe within limits. It should also mean insurance remains available and affordable in those areas, because the mitigations limit the insurers' risk.

Yet, insurers don't contribute to the mitigations, even though they stand to benefit financially from reduced claims (hopefully reflected in reduced premiums).

Auckland Council's Mace Ward would like to see insurers more involved in funding community resilience projects that help mitigate their risk.

"But we haven't got there yet," said Ward.

Faafoi said insurance companies are open to that conversation. "The big question around adaptation work is around who pays. So, everyone will pay in some way, shape or form in the end. For us, there's a balance to make sure we can keep insurance affordable and available."

Recommendations

Without clear adaptation legislation and a related framework, it's difficult for local councils to prepare their communities for climate change.

In the interim, more transparency is needed from insurers about the hazard information they hold, along with a clear indication of the mitigations that would help bring down premiums.

While the new laws for LIMs will improve the availability of hazard information, there are concerns that, without adequate resourcing, it will be difficult for councils to apply and uphold hazard notices. This could lead to an overly reactive approach to climate adaptation, ultimately putting more risk on local councils if houses need to be bought out in years to come.

Similarly, while proposed resource management legislation might result in a more uniform approach to hazard management, reform is still some time off.

Reform is needed though, as the costs of infrastructure, and when it fails, is a huge financial liability for local councils and communities; especially when infrastructure failure attracts legal action from insurers. Ultimately, it costs all ratepayers.

We recommend

1. The government should adopt effective climate change adaptation legislation that includes a framework for assessing natural hazard risk consistently across the motu.

2. Insurers should be more transparent with councils about what hazard information they hold about their regions and what community-wide and property-level mitigations would bring down premiums.

3. Insurers should offer innovative policies that incentivise homeowners to make climate change mitigations to their properties in return for reduced premiums. This could be facilitated through the Natural Hazards Commission to ensure mitigations are appropriate and robust.

4. The government should ensure local councils are protected for legal liability from insurers should flood protections be breached due to a natural disaster, except in cases of gross negligence.

5. Local councils should have the funding and expertise available to ensure any flood protections put in place are cost effective, robust and maintained.

6. The government should ensure existing rules and regulations for flood protection are appropriate.

05

The Natural Hazards Commission

Insurance for natural disasters

Insurance for selected natural disasters in Aotearoa is available via the country's natural hazards insurance scheme of the Natural Hazards Commission Toka Tū Ake (NHC – formerly the Earthquake Commission, EQC). However, that cover doesn't extend to flood damage or other weather-related damage to homes – only certain areas of land are covered for flood damage, and this isn't widely understood by homeowners. It means insurers, and homeowners, are footing the bill when insured homes are flood damaged and is a factor leading to house insurance price rises.

Some commentators say the solution to cheaper insurance would be to expand NHC cover to include flood damage to homes. However, others say this could be equally expensive and would only happen if the NHC could get cheaper reinsurance than that available to private insurers (for more on reinsurance, see section 1: The consumer experience of house and contents insurance).

The NHC does cover some land damage caused by floods (and some other natural disasters). This makes it unique compared with similar schemes overseas, but land cover is also a source of customer dissatisfaction with the scheme. This is due to both the limits to land cover available and to the time and complexity of the land claims process. Land claims take a long time to assess and often involve multiple assessments to work out whether it's cheaper to repair the damage or pay the homeowner the value of the damaged land.

Sometimes, the cost of these assessments is greater than the cost of the repair or the market value of the land before the natural disaster. Although the NHC is investigating ways to change this, a legislative fix may ultimately be needed to enable the commission to make more commercially minded decisions.

> Some commentators say the solution to cheaper insurance would be to expand NHC cover to include flood damage to homes.

Case study: The stress of duplication

In February 2023, Cyclone Gabrielle hit the Hawke's Bay, bringing down a landslip at the back of June* and her husband's property that nearly reached their house. Although, the retirees' home escaped the worst of the damage, the landslip wiped out their backyard and their large, productive vegetable garden.

For June, a point of frustration around the insurance and land claim was the number of people who ended up visiting her property to make assessments.

"One of the big problems was they seem to keep changing personnel. You know, we'd get an agent from [the insurance company who] would say, yes, we are looking after your claim. And then several weeks or a couple months later, someone else had taken it over. Then, a few months later, someone else had taken it over. And the people who came to look at it … somebody came to do an assessment, and then a few weeks, months later, someone else came to do an assessment, and it was done again.

"Months later, I would get a phone call, 'I need to come around and do some measuring'. And I'd say, 'But it's been measured. Why don't you look at what the other people have done?' […] there was so much replication, and that became very stressful; you never knew who you were dealing with, where we were going.

"You know, what was actually happening? The actual insurance claim for the garage, for the flooding damage, was settled relatively quickly [in 13 months], but the land claim took much longer … I was actually dreading hearing from them because I didn't want to hear that it was only going to be a partial settlement."

In the end, June got a settlement she was very happy with, but getting to that point was extremely stressful.

* Not her real name.

Background to the Natural Hazards Commission

"NHC land insurance is unique to New Zealand, and we're incredibly privileged and lucky to have it. And I don't think New Zealanders actually realise that. You hear so many negative comments about NHC. Like, 'No, I didn't get the full amount, and I didn't get this, and it doesn't cover that', but I think we actually need to flip that on its head and look at what it *does* give us" **– Tanya**

Our current natural hazards insurance scheme found its basis in one of the first government-backed insurance schemes in the world; set up in 1945 to ensure people had access to insurance for natural hazards.

Before 1945, there was low insurance uptake in Aotearoa generally. Following the devastating Napier (1931) and Wairarapa (1942) earthquakes, though, the War Damage Commission extended its remit to help people recover after earthquakes. The scheme was subsequently extended again to cover other natural disasters, and in late 1979, was extended once more to encompass land after the Abbotsford slip in Dunedin. In the 1960s, insurance companies introduced all-perils property insurance to cover any shortfall in the scheme.

The early scheme was paid for through levies on private insurance, as it still is today. While initially the scheme covered commercial properties as well, it's now only available for residential homes.

Academics refer to schemes like the NHC as 'protection gap entities' because such schemes work between the market and the state to meet social objectives (that is, government providing insurance to enable people to recover from natural disasters). Similar schemes exist in Spain, France, parts of the United States and the Caribbean, to name a few areas. Despite their differences, these schemes all provide government-backed insurance for perils that private insurers either no longer cover or do cover but with premiums that are prohibitively expensive for homeowners to buy.

What the NHC covers

The NHC provides natural disaster insurance for homes and some residential land through what it calls NHCover. Natural disasters covered by NHCover include:

- earthquakes
- natural landslides
- volcanic activity
- hydrothermal activity
- tsunami
- storms (land only)
- floods (land only)
- fires that occur because of any of the above.

You automatically have NHCover if your private house insurance includes fire insurance – which most policies do. Part of your insurance premium includes a levy that goes to the NHC to manage and settle natural disaster claims.

There are two strands to NHCover: buildings and land.

Buildings: In the event of certain natural disasters (excluding storms and flooding), you have up to $300,000 (plus GST) worth of NHCover for damage to your home – this is commonly called the 'NHCover building cap'. If the damage to your home is over the cap, your private insurer should pay out the balance – up to the claims limit of your policy. It's likely NHCover and your private insurer will also deduct an excess.

Land: NHCover is provided for the residential land under or within 8 metres of your home and certain outbuildings, like sheds and garages (note, it doesn't cover the actual buildings). Land under or supporting your main accessway to the property is also covered, for up to 60 metres from your home. Land must be within the boundaries shown on your record of title but may also include a legal right of way over a neighbouring property. Some cover is also provided for bridges, culverts and retaining walls.

The NHCover for land is different to the cover for buildings. It covers the cost of repairing damage to the insured land or the value of the land, whichever is the lesser amount. The maximum payout is capped at the value of the damaged portion of the insured land.

Case study: “We really did feel like we’d lost our whole life savings”

Piha resident Tanya is thankful for NHCover, although any potential payout she could have received from it would have been a fraction of the actual cost of reinstating her land after Cyclone Gabrielle hit her Piha property in February 2023.

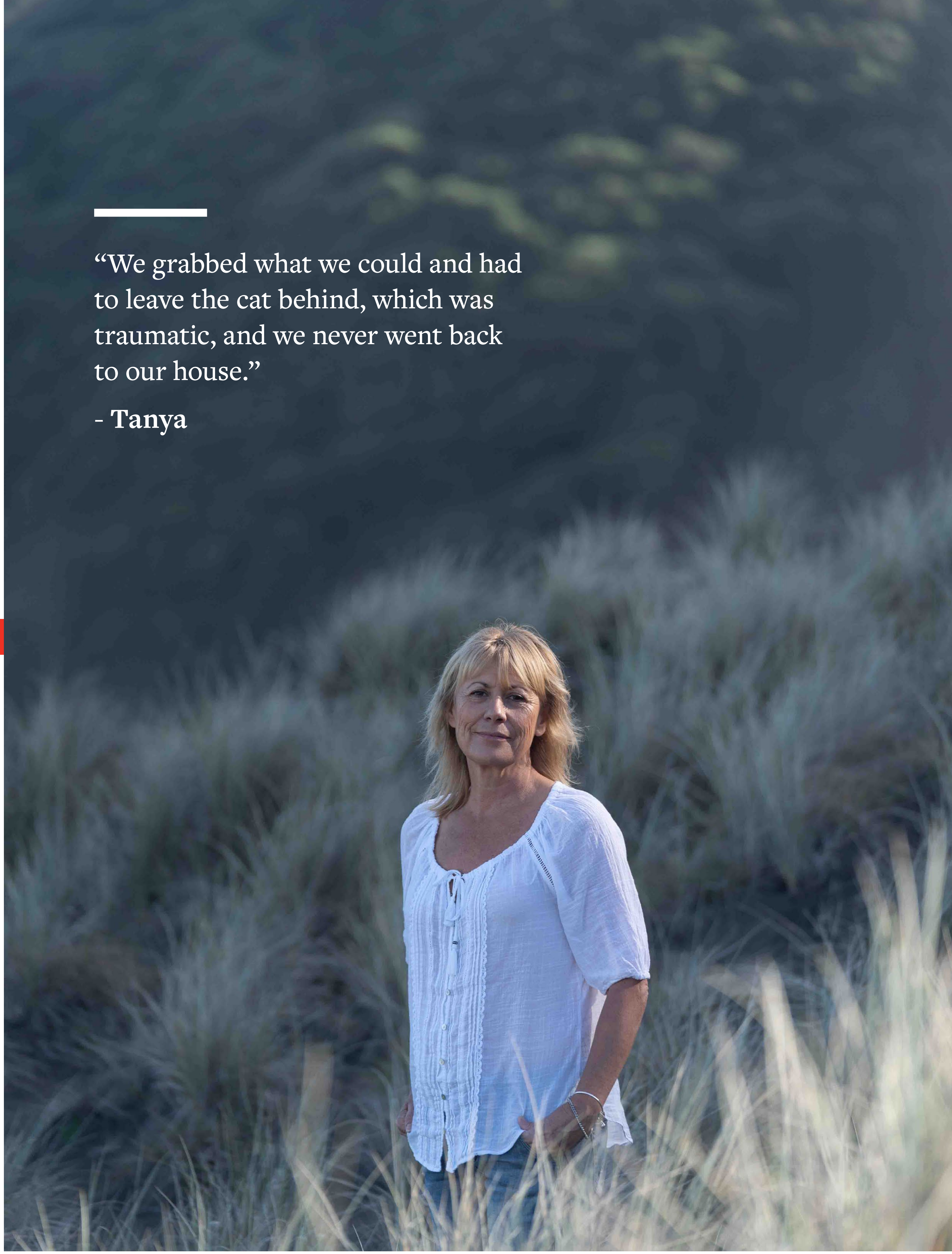
While Tanya’s house was OK, huge tension cracks formed in the land around the house that grew over the following days.

“We got a half hour warning from the land engineers to evacuate. It was at risk of a landslide. We grabbed what we could and had to leave the cat behind, which was traumatic, and we never went back to our house.”

While the land held, there was a deep slip beneath the house, which pushed it off its foundations. The house was written off, from an insurance point of view. Yet, the cost to restore the land, given the slip, would have been more than the land was worth.

“We were facing the prospect of building two retaining walls that were estimated to cost four times what we received from NHC for the land. So, we found ourselves in a terrible situation – losing a significant portion of our land’s value, and unable to get building consent because the land was still shifting, making it essentially worthless. It was terrifying and traumatic. We really did feel like we’d lost our whole life savings.”

Tanya went through the categorisation process with Auckland Council, and thankfully for her, her property was eventually evaluated as category 3, meaning the council bought her out. She’s grateful that she had access to NHCover. But not everyone was so happy with the outcome of their claims after the weather events. Tanya has gone on to work with NHC as a community advisor to help the organisation improve its service.



“We grabbed what we could and had to leave the cat behind, which was traumatic, and we never went back to our house.”

- Tanya

The problems with NHC land cover

During the government scrutiny week in 2024, where politicians are given the opportunity to grill government departments about their annual reports, the NHC chair Chris Black and chief executive Tina Mitchell spoke about NHC's performance after the 2023 North Island weather events.

Member of parliament for Christchurch Central, and former commerce and consumer affairs minister, Dr Duncan Webb, noted that the NHC scored poorly for customer satisfaction for people's claims experience following the weather events. Just 51% of respondents were satisfied with their overall claims experience, according to NHC January 2024 data, reported in the *Review of the Natural Disaster Response Model to the North Island Weather Events 2023* by the economics and strategy consulting and advisory firm Martin Jenkins.

In the same report, the authors noted that straightforward land claims could take 3 months to resolve, with more complicated claims taking far longer. Webb asked Black and Mitchell whether this was acceptable.

Black said NHC had received about 9,000 claims from the North Island weather events, and 95% of those claims had a land component. He explained that customer satisfaction is impacted by the time it takes to process a claim, as well as the cover. However, most people didn't understand the land cover and therefore were disappointed with the dollar amount when it was settled.

"The land cover under the scheme is a contributory cover, it's not full cover for all your land … so people are disappointed with that. In terms of how long it takes, we think we've done well on that because it takes some time for the land to stabilise; you need council approval, and then you need technical assessments … that all takes time," Black said.

Webb suggested the board chair was implying customers and their lack of knowledge was one of the problems and asked how NHC was going to educate people. Mitchell responded that NHC was working on ways to educate people before and after events.

Land claims are also problematic because of the need for multiple assessments to determine the payout. Consumer NZ spoke to Dr Jo Horrocks, chief resilience and research officer at NHC, about the problems with assessing land claims.

"It's incredibly problematic to assess – they need a whole series of different assessors, from a geotechnical assessor to a structural assessor to a valuer," she explained. "So, for the poor homeowner, it's incredibly stressful, and then at the end of it, the settlement is usually quite small anyway, so we're trying to get some efficiency to that within the current scope."

One major flaw in land assessments is that more money can be spent on expert assessments than on the eventual payout because NHC needs to understand which is the cheaper of two options – the cost to repair the land or its market value. Essentially, clarifying this point doubles administration efforts and therefore the cost. It can also be difficult getting enough experts to carry out the assessments. NHC is working on using technology to make these assessments more efficient in terms of time and money.

The rules about NHC land claims are governed by legislation, and the spending is also up for public scrutiny, which means commercial decisions, such as those an insurer might make to save money and speed up a claim, can't be made. The scheme must follow what's laid down in the legislation.

What's more, private insurers process the NHCover claims, and it can be challenging for them to handle their commercial and the legislative NHC requirements together. This means insurers rely on the expertise of the NHC more than was envisaged. However, as insurers gain knowledge and experience, this should become easier.

Ultimately, any change to land cover is a decision for the government to make. Some commentators have suggested land cover incur a separate levy, and those with more valuable land should pay more into the scheme because they stand to benefit more.

The Earthquake Commission Act 1993 was reviewed and replaced with the Natural Hazards Insurance Act in 2023, with a view to modernising it. However, the updating didn't include a review of the cover available for other severe weather events – that was, perhaps, a missed opportunity.

Is NHC cover equitable for Māori?

In a recent study, commissioned by the NHC, professor of law, Catherine Iorns, and former senior lecturer in law, Morgan Godfery, looked at the barriers for Māori in accessing house insurance for land subject to natural hazards.

The current NHC legislation provides cover for single residential homes and their associated land, but not marae. Given this focus to the detriment of more communal forms of living, the authors questioned whether the NHC legislation is appropriately catering for Māori values.

The authors didn't offer a solution, or go so far as suggesting marae should be covered under the act, although they did recommend the legislation give "explicit consideration" of how marae fit, to see whether it is consistent with Treaty of Waitangi principles and tikanga.

They also noted that housing on marae land could be covered under the NHC legislation as the legislated measurements of land that is eligible for cover might overlap with parts of the broader marae; meaning the marae might have incidental cover. Yet, given that houses on a marae are likely to be held in trust, the time and cost of getting trust members together to decide to claim, and the administrative time and costs involved, could outweigh any benefit.

There are also other types of housing on marae land, and there is a drive to put more housing on Māori land, which is "culturally in tune with their forms of social organisation". These homes could range from tiny houses through to hostels. The authors recommended that the NHC clarify the types of dwellings covered under its scheme.

In addition, because NHC land cover is decided based on a land's market value compared with the remediation cost, Māori could be disadvantaged because Māori land exists in a different market.

Te Ture Whenua Māori Act 1993 aims to promote the retention of Māori land. Even if the land is bought by non-Māori, the legislation prevails. This means such land is generally cheaper to buy than the equivalent land in non-Māori ownership, which in turn means the NHC legislation, based on the land's market value, is likely to discriminate against Māori.

Another issue arises where land is considered taonga tuku iho (a cultural treasure). In this situation, repairing the land to uphold and restore its mauri is likely to be of more importance culturally than being paid out. Yet, because, under current NHC legislation, the cheaper of remediation or market value is chosen, any payout may not be sufficient to reinstate the land.

In their study, Iorns and Godfery suggested the NHC survey the land provisions that have been applied to land owned by Māori to see whether repair options were offered and taken, and whether there should be more discretion applied by NHC in these instances.

The authors also raised the issue of what counts as physical damage. After the Christchurch earthquakes, some residents were prevented from entering their houses, even if undamaged, because earth above could have fallen on the house. This didn't count as physical damage under the legislation, so there was no compensation.

Yet, from a Māori world view, such a situation is likely to be deemed a "loss of mauri or a diminution in the wairua of the land" and would count as physical damage in tikanga because of the integration of the physical and spiritual. Such a view could be upheld in court, and if it were, the question would be what remedy there would be for the land and how the land could be valued.

Iorns and Godfery recommended a policy decision about this type of damage to the land and provided a list of other recommendations that would ensure the NHC legislation aligned with tikanga and treaty obligations.

Is the NHC equitable for low-income households?

"The poor are subsidising the rich."

Thus stated Victoria University of Wellington academics Sally Owen and Ilan Noy in their paper analysing NHC data to see who benefited the most from the scheme.

Owen and Noy analysed NHC data from the 2010 and 2011 Christchurch earthquakes to see whether wealthier households received more money from the scheme compared with their less affluent counterparts.

The authors found that the more expensive homes received higher payouts because of the value of the homes rather than because of how exposed they were to the earthquakes.

The research also suggested that the higher the level of income, the easier the household found it to apply and claim for higher damages. In addition, homeowners who live in their houses are more willing to negotiate with the insurer to get their claims completed quicker, which could put renters at a disadvantage.

While Iorns and Godfery's research into NHC cover for Māori land had found potential inequities, Owen and Noy say they found positive outcomes for residential homes for Māori and Pacific peoples. However, it is important to note that home ownership rates are lower for Māori, and even lower for Pacific peoples, according to Te Ara Ahunga Ora Retirement Commission data.

In terms of levelling the playing field, Owen and Noy suggest linking the NHC levy (paid as part of homeowners' insurance premiums) to the sum insured, rather than having it as a flat fee.

This happens in similar schemes in France and Spain. It would mean homeowners with more expensive homes to rebuild would pay a higher levy, while owners of cheaper homes to rebuild would pay less.

However, other commentators have noted that, if the levy were tied to the sum insured, the building and land caps would probably need to be changed. Unless the caps changed, those with homes valued at or below the cap ($300,000) would likely be paying the same levy and not get cheaper insurance.

The government sets the levies for the NHC scheme. The Treasury, which advises the government on the scheme, in an email to Consumer NZ said the potential inequities in the scheme have been long recognised. But while tying the levy to the sum insured may improve equity, it would also create administrative complexity and would be difficult to communicate to homeowners.

"It is counter-intuitive and likely perceived as inequitable, as it would mean that homeowners would be levied on the basis of building values that do not reflect their scheme entitlements," a spokesperson for The Treasury said.

Other academics in the field argue that it's only through community funding (everyone paying the same) that we can be confident there will be enough money in the scheme.

Increasing the NHC levy

The Treasury is currently reviewing the NHC levy, because there are insufficient funds in the scheme to cover its long-term costs. This is due to recent earthquakes and weather events; the rising cost of reinsurance, construction and repairs costs; as well as the re-evaluation of earthquake risk to Aotearoa. However, because the Crown guarantees the scheme, if a major event occurred in the near future, it would be obliged to step in to fund recovery.

The Treasury has proposed the levy be increased from 16 cents per $100 of cover to a maximum of 24 cents per $100 of cover. The building cap could also be increased from $300,000 to $400,000. Tying the amount of the levy to the sum insured is not being considered. The Treasury made recommendations to Cabinet in May this year, with final decisions due the following month. However, at the time of printing, those decisions had still not been announced.

We support increasing the levy to ensure homeowners are financially protected after a natural disaster. Without the NHC, house insurance would probably be unavailable and unaffordable for many. Pooling levies from every house insurance policy holder means the risks of natural disasters are shared across the country. While some areas in Aotearoa are exposed to more risks than others, every area has some level of natural hazard risk.

However, any increase to the levy is likely to be reflected in insurance bills and will put pressure on the budgets of many homeowners, so we support a phased increase to the levy.

Extending NHC cover to floods

While the NHC was set up to provide cover for natural disasters, and does provide some land cover for floods, it's private insurers that fork out when homes are flood damaged.

With the increased risk of flooding due to climate change, and the difficulty of predicting the rate of climate change, insurers have put up their prices to cover the risk. As a result, there is a growing likelihood that some homes will become too risky and therefore too expensive to cover properly, if at all.

Given severe weather events will occur more often in response to the changes that have already occurred in our climate, it has been suggested that the NHC scheme should be expanded to include flood damage to homes. But, just like with private insurers, the NHC has to get reinsurance for the risks it covers. If the risks are too great, a reinsurer may not back them.

We asked Dr Jo Horrocks from the NHC whether it was possible to extend the scheme to include floods.

"The trouble with floods, compared with the other hazards, is it would be difficult to get reinsurance for them. If a private insurer is charging super high premiums, it's because they know a) it's certain [to occur] and b) there's a good chance they're going to have to pay out on it. And the same would be true for a public scheme like the NHC," Horrocks said. "So, when people suggest this, they think, oh, this is a cheap way to do it, but it's not. The international reinsurers are not going to pay for it. The levy collection will pay for some of it, but there's a good chance it would go back to government [to pay].

"The [NHC] levy would have to be very high [to cover flooding to homes]. So, the consumer would still have a high insurance premium, it's just that a lot more would be going to the national pool."

As it is, the levy is likely to increase in the near future on the back of The Treasury's review. Covering flood damage would mean another price rise. In theory, however, the private insurers' portion would reduce, given NHC would be taking on more risk (up to $400,000 of cover).

Another potential reason the government would step in is if private insurers stopped covering the risk completely. Currently, insurance industry experts say private insurers are still prepared to cover flood risk. However, if the risk increases that may change.

One expert we spoke to said a public insurance scheme for floods (like NHC) is inevitable. While insurers in Aotearoa currently cover all perils, there is potential for them to carve off events they consider too risky to cover and either have a separate policy offering for them or stop covering them altogether.

Experts quoted in 'Premiums under Pressure: How climate change is reshaping residential property insurance and what to do about it', a report published by The Helen Clark Foundation in partnership with WSP New Zealand, note that while public insurance schemes can be expensive, they are generally more effective and provide better value for money than other options. Internationally, governments have stepped in to provide insurance cover via a public entity to work with insurers to offer flood cover at an affordable price.

Insurance policy expert Professor Jonathan Boston has written extensively on the future of residential insurance. In his forthcoming book, Boston outlines some possible changes to the NHC scheme to help the country, and residential property owners, manage the challenges of climate change in an affordable and equitable manner. He notes that, if the scheme were to include flood damage to homes, it could cost NHC an extra $200 million a year on average, meaning the levy would need to go up about $120 a year per household (it's currently $480 plus GST).

Yet, increasing the NHC coverage doesn't mean the cost of private insurance will necessarily drop. When the NHC coverage increased in 2022 from $150,000 to $300,000, there was no corresponding reduction in premiums from insurers. In theory, insurers were then carrying less risk and could have offered a corresponding reduction in premiums.

Another option would be for the NHC to not buy reinsurance, as it currently does, but instead have the Crown back the scheme independently, thereby saving the $400 million it currently spends on reinsurance each year.

An even more radical suggestion put forward by the former head of the EQC, David Middleton, in an interview in *The Post* in 2025, is to do away with both the levy cap and building cap. Removing the caps would mean owners of more expensive homes could be required to pay more for their disaster insurance cover, meaning there would be more money in the fund. In fact, Middleton believes private insurers could be removed from natural disaster cover completely.

Whether the balance of this country's insurance business (contents, car, fire insurance for homes and business cover) would be enough to encourage insurers to stay in the Aotearoa market under such a scenario is something that needs to be considered. However, commentators have noted that insurers in Spain still have enough business even though that country's government covers natural disasters.

What is clear is that there are a lot of options for re-envisioning how natural hazards cover works. Whether there is the political will to explore these options further, alongside a climate adaptation framework, is another matter.

Flood insurance cover in Australia and the United Kingdom

In 2022, the Australian government created a cyclone pool to supply reinsurance to insurers without a profit margin, with the aim of reducing insurers' costs and passing the savings onto households. The scheme is still in its early days: large insurers had to join by the end of 2023 and smaller ones by the end of 2024.

In the September 2024 monitoring report compiled by the Australian Competition and Consumer Commission (ACCC), it appeared the scheme has had a limited impact on the prices consumers pay for house and contents insurance. The ACCC's analysis (based on median premium prices) found only 27% of homes in medium- to high-risk cyclone areas had lower premiums, while up to 24% in high-risk areas had reduced premiums. However, 14% of those in low-risk areas experienced a premium increase.

One reason why the savings in cyclone-prone areas haven't been higher is that the insurers have experienced increases in other costs, such as building materials. Another is that the reinsurance for other risks has gone up, too, muting any potential overall savings. Given the scheme is relatively new, the full impact of the potential savings for customers may not yet be realised. Insurers also indicated that price rises could have been higher without the cyclone reinsurance pool.

However, one clear issue is that the legislation establishing the scheme doesn't require any savings to be passed onto customers. It is the expectation, but "insurers have discretion to decide whether and how they do so". It's a lost opportunity to ensure cost savings are passed onto consumers in cyclone areas.

In its report, the ACCC stated that insurers are working on ways to pass on savings – although, the approaches they use may differ, depending on the pricing methods they employ.

Another aspect of the scheme is encouraging homeowners to make changes that will help prevent damage to their homes in future events. Insurers receive cheaper reinsurance rates from the scheme for properties that have undertaken such measures.

However, in its 2023 monitoring report, the ACCC said that very few insurers were collecting the information needed to confirm this was happening and appeared to have "little appetite to do so".

While there were more positive signs of action in the 2024 report, it appears it's up to the customer to ask their insurer about the impact of mitigation measures, rather than insurers being proactive in informing customers about the discounts available if they put such measures in place.

"It is open for consumers to ask their insurer how they are considering mitigation measures," the ACCC report states.

Without pressure from the regulator for insurers to inform customers about potential discounts for mitigations, it seems unlikely this element of the cyclone pool will have a positive impact on premiums over the longer term.

In its conversations with community groups, the ACCC also noted that there doesn't appear to be a "standardisation of the risk mitigation measures that insurers will recognize and that incentives for the installation of mitigation measures are not being applied consistently". The ACCC suggested that, given the cost of mitigation measures, it might be worthwhile incentivising policyholders to put mitigations in place.

The cyclone pool only covers cyclone risk, so the ACCC acknowledged that people in low-risk areas for cyclones are unlikely to see any savings in their insurance bill. This means there are still affordability concerns with house and contents insurance across Australia.

In its July 2025 update on the cyclone reinsurance pool, the ACCC found the pool had lowered insurance premiums for customers facing a medium to high risk of cyclones. However, those in areas of no to low risk of cyclones had experienced premium increases of 4% and 7% respectively (measured on a per $100,000 sum insured basis). Clearly, Australians are still facing high and rising insurance premiums.

The ACCC is continuing to research other interventions that could be put in place to reduce premiums.

The Hazards Insurance Partnership, a partnership between the Australian government and insurers and coordinated by the government's National Emergency Management Agency works to address insurance affordability and availability issues brought about by natural hazards. The ACCC has observer status on the partnership and is a member of its working group.

We asked the Insurance Council of New Zealand (ICNZ) whether such a group would be useful in Aotearoa. It replied it has been "developing relationships" with councils, our country's own National Emergency Management Agency (NEMA) and civil defence groups. In June, a partnership between NEMA, the NHC and ICNZ was announced to coordinate responses to major disasters. However, the partnership doesn't delve into pricing.

In the United Kingdom, a different approach was taken to address the potential retreat of insurers with respect to flood damage.

Flood Re was developed by insurers in collaboration with the government and is operated by insurers to help address the problem of increasing premiums in areas prone to flood damage around the United Kingdom. Like the Australian scheme, insurers buy reinsurance for high-risk flood areas at a discounted rate and pass on those savings to their customers. Essentially, some of the financial risk for flooding is passed onto the Flood Re scheme.

The scheme is paid for via a levy on insurers. However, the levy on insurers is estimated to have added only £10.50 (roughly NZ$24) to insurance policies annually (the NHC levy is more but also covers more perils).

The amount policyholders are charged for their house insurance depends on the council tax band of the insured property. It's estimated that eligible property owners are paying less than half the market rate for insurance for flood-prone homes.

Flood Re is available to all homes built before 1 January 2009. This date was put in place to dissuade people from building in flood-prone areas. Despite this, roughly 11% of new homes in the United Kingdom continue to be built on flood-plains and are ineligible for the scheme.

The availability of the scheme has probably meant people have continued to live in high-risk areas, as insurance has remained available and affordable for these areas. In fact, one study found house prices have increased in flood-prone areas, meaning the risk signal indicated by lower prices has been muted.

The Flood Re scheme was also meant to give local authorities until 2039 to improve flood protection in high-risk areas and provide homeowners with options to improve flood protection measures around their homes.

Critics have said this risk-reduction element is lacking in practice, both in terms of individual properties and public risk mitigation (from local councils).

In response, Flood Re has now included a 'Build back better' option, which allows property owners impacted by flooding to apply for more grants to protect their homes from further flood damage. However, this is voluntary, and it could be argued that it would be more prudent over the long term to support homeowners to buy properties elsewhere rather than continue to live in a risk-prone area.

While the scheme has made insurance available and affordable, it does highlight that any reduction in premiums should sit alongside mitigation measures at a community and property level. When floods do occur, the scheme should ensure homeowners are given the tools to build back their homes with flood mitigation measures – or, if the risk is too great, give them the financial resources to buy elsewhere.

Back in Aotearoa, not doing anything to protect homes against the increasing flood risk and growing expense of insurance could have a profound impact on our country's housing market.

In the interim, the government could step in to provide cover for those homes that can't get flood insurance with private providers. Yet, over time, the number of properties this option would apply to is likely to increase, so it's imperative the government develop an adaptation framework that enables planned relocation of the most-at-risk homes.

... not doing anything to protect homes against the increasing flood risk and growing expense of insurance could have a profound impact on our country's housing market.

Recommendations

The NHC scheme provides valuable support to both New Zealand homeowners and insurers to ensure protection is available in the case of some natural disasters. One big area requiring improvement is the assessment of land claims.

We also think better communication about how long the claims might take would help improve the process for homeowners.

We think the natural hazards insurance legislation needs a full review to make sure it meets the challenges of climate change.

We see the potential for the NHC scheme to be expanded to include flood damage, but to reduce the financial burden, any expansion needs to go hand in hand with climate adaptation legislation and a related framework to ensure Aotearoa is well placed to handle the growing challenges of climate change.

We recommend

1. The government should amend the legislation so the NHC can work with insurers to make commercial decisions that will save assessment costs for land claims, speed up the assessment process and lead to greater customer satisfaction.

2. The NHC should clarify for homeowners what land cover entitles them to in the event of a natural disaster.

3. More research should be done into whether the NHC is resulting in equitable outcomes for Māori and those with lower-value homes (that is, those cheaper to rebuild).

4. The government should ensure that, if it does back a flood insurance scheme, whether with the NHC or through another entity, the scheme goes hand in hand with climate adaptation measures to ensure it doesn't create a moral hazard (for example, by giving people a false sense of security even though they're living in high-risk areas).

5. Any such scheme should include publicly funded programmes to encourage homeowners to make adaptations to their property to help prevent flood damage, informed by consistent data from insurers about which adaptations will bring down premium prices.

6. If the government sets up a flood insurance programme that discounts reinsurance for insurers, it should ensure the legislation provides for any resulting savings to insurers to be passed onto customers. This should be transparently demonstrated (regardless of the pricing methods individual insurers use) to consumers in their annual renewal notices and to the regulator.

7. The NHC levy should be increased to rebuild the natural disaster fund. As any increase is likely to put pressure on homeowners' budgets, increases should be phased in.

8. An independent body (that is, not the insurance industry) should assess the rate of under insurance and no insurance in Aotearoa to identify insurance protection gaps and enable the government to formulate a plan to reduce them as it builds the climate adaptation framework.

9. A hazards insurance partnership group should be formed between government, insurers and consumer groups similar to the Australian scheme, to ensure there's transparency about the availability and affordability of insurance. Such a group could ensure risk information is shared between parties and that adaptation measures are coordinated.

06

A growing inequity

Under or no insurance

"We have not stopped insuring our house *yet* but would seriously consider it once we have no mortgage. We have dropped our cover to the minimum we are allowed to insure it for, which would not cover full replacement if needed. Our house insurance premiums are currently $6,500 per year for $580k of cover, with a $2,000 excess as we are in a flood management zone." **– Helen**

Many homeowners are under-insured or hold no insurance, creating significant economic risk, and the financial impacts of climate change will exacerbate this risk and other social inequities.

Climate change has the potential to influence nearly every aspect of our lives. From our jobs to what we eat and grow, along with access to transport and the cost of power, right through to where we live.

The availability and affordability of house insurance will be one of the first signals of pending climate change for households – increased insurance bills are priced for the risks of climate change.

Without insurance, according to a Swiss-based research institute, low- and middle-income families can fall into poverty after a catastrophe. Lack of insurance can also perpetuate and exacerbate existing inequalities.

Yet, there's no mechanism in place for banks to check mortgaged homeowners have insurance in place throughout the duration of their mortgage. And there's no obligation for renters to have contents insurance (which generally includes temporary accommodation benefits in cases of natural disaster).

Those without the financial resources to adapt to climate change will find the situation extremely challenging. Insurance is one such financial resource. It is a vital tool that can help people rebound after a disaster. Without insurance, people and whole communities could be pushed into poverty.

A looming economic crisis

If house insurance were no longer available, the knock-on effects could create a financial crisis, similar to the 2008 global financial crisis – without the recovery.

Last year, the United States Senate Committee on the Budget investigated the risks climate change posed to the insurance and property markets. It found that climate change was driving insurance retreat, referred to as 'non-renewal' by insurance companies. Essentially, the risks of insuring properties in some counties in the States were too high, so insurers didn't renew their customers' policies.

Counties experiencing wildfires, hurricanes, severe storms and hail, heavy rain and sea level rise were seeing the highest rates of non-renewal. The investigation also found a direct relationship between high insurance costs and non-renewal.

"This underscores that climate change has become a major cost-of-living issue for families across the country," the committee noted.

Alongside non-renewal, some households are dropping their house and contents insurance altogether because it's too expensive, which means insurance gets even more expensive for those still buying it, as the collective premium pool that insurers collect from reduces.

If insurers no longer provide insurance, there will also be huge impacts for the mortgage and property markets. *The Economist*, in its April 2024 article 'Global warming is coming for your home', said climate change could wipe $25 trillion off the value of the world's housing by 2050. The United States Senate Committee on the Budget's *Next to Fall* report states that most Americans have the majority of their wealth in their homes and falling property values would erode that wealth. It's estimated the decline in property values would be similar to the 2007 to 2008 mortgage meltdown and global financial crisis.

Although homeowners recovered from that global financial crisis, there will be no recovery from the impacts of climate change on insurance. "The physical risks of climate change [make] a similar recovery unlikely: a home too endangered to insure will only become more endangered," the report notes.

Alongside non-renewal, some households are dropping their house and contents insurance altogether because it's too expensive …

How many mortgages are at risk?

In February 2025, lending secured against the housing stock of Aotearoa was valued at just under $372 billion.

The Reserve Bank, in a 2022 report, stated that 2.5% of properties mortgaged to banks are within 50 centimetres of coastal sea level rise. This increased to 3.8% of mortgaged properties within 1 metre of sea level rise.

National data for river and surface flooding isn't as widely available. The Reserve Bank's report authors assessed the numbers of property at risk based on Auckland data, which equated to 12% of mortgaged properties nationally being at risk (though the level of risk probably varies). Of those properties in the flood zones, 80% had loan value ratios below 60%, which means the banks would be exposed to losses if the borrowers defaulted on their loans.

More recently, banks have been publishing sustainability reports, which include figures of how many mortgaged properties are vulnerable to flooding. ANZ stated 1.74% of its properties were exposed to flooding by 2050. At Westpac, 2.1% were exposed to sea level rise by 2050, with another 2.23% exposed to rainfall flooding events, rising to 2.46% by 2045. At ASB, 13% of its mortgaged properties were at risk of a 1-in-100-year inland flooding event, while at BNZ, 2.0% of its residential properties were exposed to severe flooding by 2030. Another 10% had moderate exposure.

In a May 2024 report, the Reserve Bank recommended insurers, central and local government and property owners act immediately to understand natural hazard risks to properties. It said central and local government needed to collect and share natural hazard data, and banks needed to get better information on the insurance level of the homes they mortgage and work with insurers more.

Further, the Reserve Bank 'stress tested' the main New Zealand banks for climate change risks and found banks weren't tracking the insurance cover on the homes they mortgaged. It recommended the banks find cost-effective ways of doing so.

Consumer NZ contacted the five big banks to see whether they have started to monitor mortgage insurance cover, as recommended. While ANZ confirmed it required proof of insurance for a mortgage, it didn't answer whether it continued to monitor the insurance, saying instead that insurers did sometimes let it know if a mortgagee's insurance had lapsed.

Westpac noted that the cost of insurance is included in the affordability assessment for a mortgage. "Insurance cover is verified again if the customer applies for hardship assistance or seeks to increase their lending facility," a spokesperson said.

It was a similar story at KiwiBank and ASB, where insurance is checked when a mortgage is taken out and again in any affordability assessment or if there are changes to the loan.

ASB added that it is "advocating for greater information sharing of insurance status and property-level information [between banks and insurers], which would help inform decision-making, understand risk and protect customers."

This hands-off approach is in stark contrast to the approach taken by banks in the United States, which can force homeowners to take up insurance. There, 'force-placed' insurance comes into play if a homeowner's insurance lapses. The bank buys the insurance and passes the cost onto the homeowner.

Force-placed insurance is likely to be more expensive than the insurance a homeowner could access themselves, according to the Department of Financial Services, a United States financial regulator, and may only cover the lender's potential losses, not those of the homeowner.

While this process means the property is insured, it puts more financial pressure on homeowners who have dropped insurance because it was unaffordable or unavailable. Climate change and increased risk of natural hazards will only exacerbate this pressure in the years to come.

Forced insurance also appears to protect banks' interests more than those of homeowners, and there have been concerns about kickbacks and commissions between banks and the forced insurance providers. Consumer advocates have recommended changes be made, such as, capping the cost of forced insurance and requiring the banking industry to be more transparent about its premiums and commissions.

In other instances in the United States, homeowners pay for their insurance via an escrow account (where a third party holds funds on behalf of two parties while a transaction is being completed) as part of their mortgage payments. This means the bank has more oversight of the homeowner's property insurance.

In the United Kingdom, most lending contracts require evidence of insurance. Lenders also have "the right to carry out anything necessary to protect their security at the cost of the borrower", which could include arranging insurance, according to a spokesperson for the United Kingdom's Financial Conduct Authority.

The authority said it would expect the lender to take "fair and reasonable steps in communicating with borrowers" before any action were taken.

In Australia, the situation is very similar to what happens in Aotearoa. Insurance is required as part of a mortgage loan and should be maintained for the duration of that loan, but there's no routine checks to make sure it's kept in place.

Back here, although the banks have withstood the Reserve Bank's 'stress test' and demonstrated they could maintain their financial stability, under the 'stress test' scenario their projected return to shareholders would fall by 40%. What's more, if short, sharp economic shocks occurred alongside the longer-term climate risks, the banks resilience could be undermined significantly.

Risk of not having enough cover

Along with the risks of not having insurance, homeowners not being insured for enough is also a concern.

Back in 2016, The Treasury estimated that Aotearoa was under-insured to the value of $184 billion ($242 billion today). It said up to 85% of homes could be under-insured by an average of 28%.

The Treasury also noted that the shift in cover to sum insured (where you state the cost of rebuilding your home yourself), from full replacement (where the insurer would rebuild your home and with no fixed figure stated), has exacerbated under-insurance of homes. However, it also noted that, given the limited, specific location of natural disasters, the real impact of under-insurance would be substantially less. For a scenario of an earthquake in Wellington, it said the under-insurance would be $135 million (about $176 million today).

More recently, in an August 2024 report, The Treasury noted under-insurance or having no insurance at all is a fiscal risk, the size of which will depend on the magnitude of the event and what political judgements are made at the time to provide relief.

Given the number of people starting to drop their house or contents insurance, and the increasing prevalence of sum-insured policies, under-insurance is a real and increasing risk.

Online calculators are available to get an idea of how much homeowners should insure their properties for, and our research has found this is the most common method people (31%) use to calculate their home insurance requirements. However, 16% of respondents said they wouldn't have enough insurance to rebuild their homes.

Our survey doesn't ask respondents why they feel they don't have enough cover. However, we believe some people may feel they have to reduce the sum insured due to affordability concerns. Further research into the level of under-insurance in the residential property market due to sum-insured policies and affordability issues would shed light on the extent of the problem and the factors driving homeowners to take this risk.

Table 6.1: Do you think your level of sum insured would cover you in the event of a claim to rebuild your home?

Response	(%)
No – I wouldn't have enough cover	16%
NET Yes	84%
Yes – I'm insured for more than the value	13%
Yes – it's about right	71%

Source: Consumer NZ Insurance Survey 2024

How climate change exacerbates social inequalities

The financial impacts of climate change will exacerbate existing social inequities.

A 2024 research project, conducted as part of the government-funded National Science Challenges, which investigated the biggest science-based issues the country faces, assessed how much insurance would cost if it were all assessed on risk-based pricing for flooding. The research found that 37% of those who could least afford risk-based pricing would have the biggest insurance bills, even though their assets (house and contents) weren't valued highly. The researchers also found the approach would exacerbate existing inequalities between Māori and non-Māori and between rich and poor.

The Treasury analysis has also shown that people may be already living in at-risk areas because the accommodation is cheaper in those areas.

Similarly, research carried out in Canada found that vulnerable communities were already more likely to be living in flood-prone areas. The researchers there stated that, "certain identity factors of social vulnerability appear to be consistently overrepresented in high flood risk areas across Canada."

The researchers also noted that indigenous communities had disproportionately higher levels of flood risk across Canada compared with other population groups and were more likely to experience prolonged displacement from flooding.

"The impacts of flooding are exacerbated by many factors, including the lasting effects of colonialism, loss of land and culture."

Back here, Professor Jonathan Boston, a policy expert on insurance issues, notes in his research that socioeconomically vulnerable towns are already exposed to flood hazards in this country. Most of these communities are in the North Island – in Northland, Waikato, Bay of Plenty and Gisborne. Along with the flood threat, they are least equipped to financially recover from flooding.

A 2024 report prepared for the Climate Change Commission by Massey University's Environmental Health Intelligence New Zealand (EHINZ) unit states that many people will find it hard to prepare for, cope with and recover from increased climate-related hazards. Those without financial resources or living in rentals will find adaptation particularly challenging. Māori and Pacific peoples are also likely to be disproportionately affected.

The report's authors note that people may already be living in crowded and unhealthy homes that are subject to more flooding events, and this will become worse. It would be up to landlords to put in place mitigations for rental properties to ensure the properties were protected from flooding.

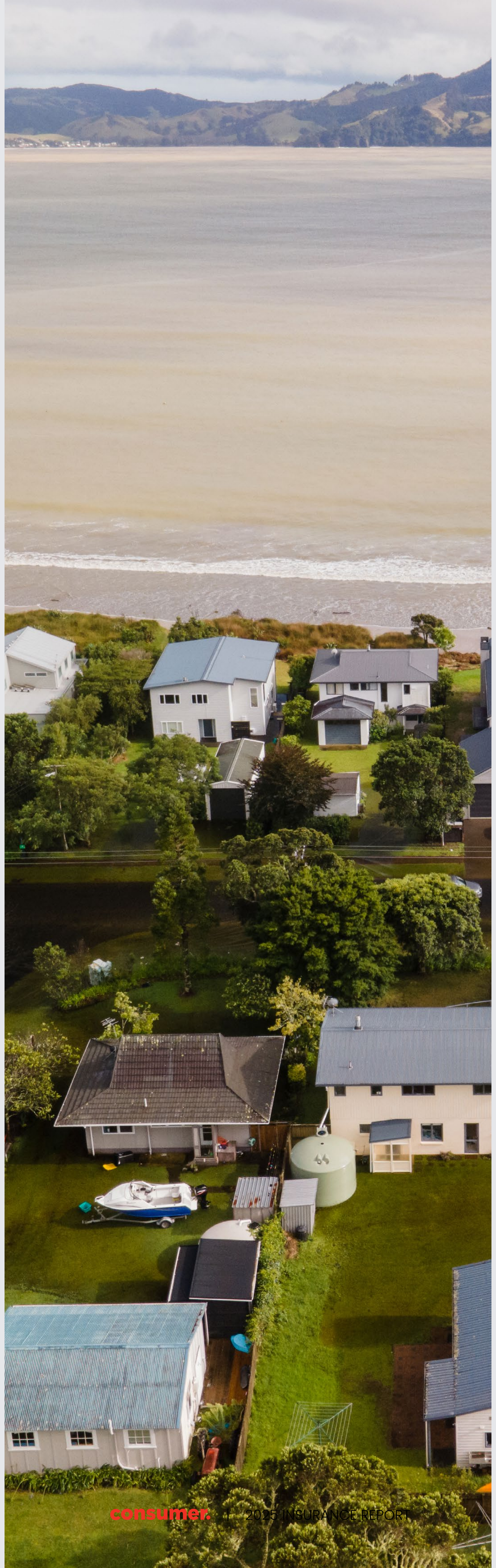
Those who can't access information or support services will find it harder to adapt to climate-related hazards. Due to a lack of income, some households may not be able to prepare for an emergency. Increased extreme weather events are likely to cause displacement too, forcing residents to move out of their local communities, sometimes permanently.

People may also have multiple vulnerabilities to cope with. They may live alone and in substandard housing and have limited income and either mental or physical health conditions, or both. Those whose first language isn't English may also experience disadvantages and miss out on key resources.

Along with the geography of different communities and what risks they're likely to be exposed to, understanding the vulnerabilities in each community will be vital to planning for the risks of climate change, the authors note. They also point to our aging population and note that one-fifth of the population of Aotearoa comprises children, meaning the needs of both ends of the age spectrum will have to be considered as our nation adapts to climate change.

For example, on the West Coast, residents are generally older, with high levels of social deprivation, and some homes don't have basic amenities, yet the 'Coasters' can expect to experience more heavy rainfall and flooding as a result of changing climate patterns. In Northland, residents may experience more heatwaves and storm events in what is another already vulnerable and geographically isolated population.

The authors of the EHINZ report argue that improving the resilience of vulnerable people to climate change will be positive for wellbeing and health in general if it means these households are offered better housing, financial resources and household preparedness for emergencies.



Recommendations

An economic crisis is obviously not going to do anyone any favours but will most affect those who can least afford it.

Effective climate adaptation legislation and a related framework to set out roles and responsibilities, and clarify who will pay for what after an event, will help keep insurance available and affordable for vulnerable communities. The legislation will help communities in high-risk areas plan for adaptations or move out of harm's way. The legislation can also provide a mechanism, whether through a levy or taxes, to help pay for the required changes.

We cannot leave individuals to deal with climate change and the knock-on effects on insurance on their own. It's going to take a community focus with support from central government to put the right frameworks, measures and legislation in place.

We recommend

1. Banks should check regularly (perhaps at every fixed-term interest rate renewal point) whether households with mortgages hold sufficient insurance for the current situation.

2. Policymakers should support and follow the findings of EHINZ.

3. The Natural Hazards Commission should undertake further research into whether lower socioeconomics groups are disproportionately living in flood-prone areas. If that is the case, the Commission should develop solutions with the communities to adapt their homes, or retreat from the area. This will likely need government funding.

Figures and tables

Section 1

Figure 1.1: Increases in prices of goods monitored by the CPI, 2000–2025 (insurance; cigarettes and tobacco; milk, cheese and eggs). Stats NZ CPI (Level 3 classes) Q1 2000–Q2 2025. Accessed 25 July 2025.

Figure 1.2: Public trust in industries (banks, insurance companies, KiwiSaver, the government), June 2021–April 2025. Consumer NZ Sentiment Tracker (wave 16). In the field 3–12 April 2025. 1,000 respondents with a nationally representative sample. Maximum margin of error +/- 3.10%.

Figure 1.3: Net profits before tax, IAG, Suncorp NZ, Tower 2021–2024. Compiled by Link Economics in May 2025. Figures sourced from underwriter data publicly available.

Table 1.1: Percentage of households without house or contents insurance due to cost, 2022–2025. Consumer NZ Insurance Surveys 2022–24 and Consumer NZ Sentiment Tracker 2025.

Consumer NZ Insurance survey 2022: in the field 28 September–25 October 2022. 3,280 respondents for house insurance and 3,641 for contents insurance made up of Consumer NZ supporters (members, newsletter and survey subscribers, social media followers). Maximum margin of error +/-1.57% at a 95% confidence interval.

Consumer NZ Insurance survey 2023: in the field 10 October–31 October 2023. 3,280 respondents for house insurance and 3,641 for contents insurance, made up of Consumer NZ supporters (members, newsletter and survey subscribers, social media followers). Maximum margin of error +/-1.53% at a 95% confidence interval.

Consumer NZ Insurance survey 2024: in the field 1–23 October 2024. 4,854 respondents for house insurance and 5,407 for contents insurance made up of Consumer NZ supporters and a nationally representative sample. Maximum margin of error +/-1.22%.

Consumer NZ Sentiment Tracker (wave 16). In the field 3–12 April 2025. 1,000 respondents with a nationally representative sample. Maximum margin of error +/- 3.10%.

Table 1.2: Aotearoa insurance brand underwriters, 2025. Gathered from insurance company websites in July 2025.

Table 1.3: Solvency ratios for the seven main insurance underwriters in Aotearoa, 2025. Solvency ratios gathered from the individual insurers' websites. IAG figures at 31 December 2024, all other insurers at 31 March 2025. IAG insurance brands include NZI, State, AMI, NAC, Lumley and Lantern.

Table 1.4: Consumer NZ survey respondents' satisfaction with the terms and conditions in their insurance policies, 2024. The survey contains a nationally representative sample. Fieldwork dates: 1 to 23 October 2024. Total number of respondents 6,415.

Table 1.5: Length of time with house insurance provider. Consumer NZ insurance survey 2024. Fieldwork dates 1–23 October. Includes a national representative sample. 4,795 respondents.

Table 1.6: Consumers' satisfaction with the insurance claims process, 2024. Consumer NZ insurance survey 2024. Fieldwork dates 1–23 October. Includes a national representative sample. 947 respondents.

Section 3

Table 3.1: Percentage of Sentiment Tracker respondents who think New Zealand should have a plan to help communities adapt to climate change risks like flooding and extreme weather, 2025. Consumer NZ Sentiment Tracker (wave 16). In the field 3–12 April 2025. 1,000 respondents with a nationally representative sample. Maximum margin of error +/- 3.10%.

Table 3.2: Percentage of Sentiment Tracker respondents who think costs to buy out a property in the wake of a natural disaster should be split between government and insurers. Consumer NZ Sentiment Tracker (wave 16). In the field 3–12 April 2025. 1,000 respondents with a nationally representative sample. Maximum margin of error +/- 3.10%.

Table 3.3: Percentage of Sentiment Tracker respondents who think climate adaptation costs should be split between government, local councils and insurers. Consumer NZ Sentiment Tracker (wave 16). In the field 3–12 April 2025. 1,000 respondents with a nationally representative sample. Maximum margin of error +/- 3.10%.

Section 6

Table 6.1: Do you think your level of sum insured would cover you in the event of a claim to rebuild your home? Consumer NZ Insurance survey 2024: in the field 1–23 October 2024. 4,287 respondents made up of Consumer NZ supporters and a nationally representative sample. Maximum margin of error +/-1.22%.

Nationally representative sample is sourced from Dynata and weighted to reflect New Zealand's population by age, gender, and region.

Key sources

ACCC (2024). *Insurance Monitoring: Third report following the introduction of a cyclone and cyclone-related flood damage reinsurance pool.* Australian Competition and Consumer Commission ACCC). URL: www.accc.gov.au/system/files/accc-insurance-monitoring-report-september-2024.pdf (accessed 8 August 2025).

Aizpun FC, De Souza Rodrigues Cabral C, Finucane J, et al. (2022). *Sigma: Reshaping the social contract: the role of insurance in reducing income inequality.* Swiss Re Institute. URL: www.swissre.com/dam/jcr:978cea72-60d6-410b-acf0-071a3393d69c/2022-05-11-sigma03-role-of-insurance-in-reducing-income-inequality-en.pdf (accessed 8 August 2025).

Aldridge J, Bell R (2025). Climate chance impacts to extreme weather events associated with insured losses in New Zealand: a review. *Environ. Res.: Climate* 4 012001. DOI: 1 0.1088/2752-5295/ada1f0 (accessed 8 August 2025).

Bell K, Booth P, Walsh P and Letica S (2024). How fair is actuarially fair flood insurance pricing? *SSRN Electronic Journal.* URL: https://api.semanticscholar.org/CorpusID:270756327 (accessed 8 August 2025).

Boston JA (2024). *A Radically Different World: Preparing for climate change.* Wellington: Bridget Williams Texts.

Boston JA (forthcoming). *The Future of Residential Property Insurance.*

Canada's Task Force on Flood Insurance and Relocation (2022). *Adapting to Rising Flood Risk: An analysis of insurance solutions for Canada.* URL: www.publicsafety.gc.ca/cnt/rsrcs/pblctns/dptng-rsng-fld-rsk-2022/dptng-rsng-fld-rsk-2022-en.pdf (accessed 8 August 2025).

Choice (2023). Choice. *Weathering the storm: Insurance in a changing climate.* URL: https://financialrights.org.au/wp-content/uploads/2023/08/Weathering-the-Storm-Climate-Insurance-Report-2023-1.pdf (accessed 8 August 2025).

Climate Change Commission He Pou a Rangi (2024). *Progress Report: National adaptation plan.* Wellington: Climate Change Commission. URL: www.climatecommission.govt.nz/assets/Monitoring-and-reporting/NAPPA-2024/CCC-NAPPA_bookmarked2.pdf (accessed 8 August 2025).

Climate Council of Australia (2022). *Uninsurable Nation: Australia's most climate-vulnerable places.* Climate Council of Australia. URL: www.climatecouncil.org.au/wp-content/uploads/2022/05/CC_Report-Uninsurable-Nation_V5-FA_Low_Res_Single.pdf (accessed 8 August 2025).

Commerce Commission (20 August 2024). *Personal Banking Services: Final competition report.* URL: https://comcom.govt.nz/__data/assets/pdf_file/0019/362035/Final-report-Personal-banking-services-market-study-20-August-2024-Amended-27-August-2024.pdf (accessed 8 August 2025).

Consumer NZ. House and content insurance premium survey (2024). Completed by: AA Insurance, AMI Insurance, AMP, FMG, Initio, MAS, State Insurance, Tower Insurance and Trade Me Insurance.

EHINZ (2024). *Social Vulnerability to the Impacts of Climate-related Hazards in Aotearoa New Zealand.* Wellington: Massey University: Environmental Health Intelligence New Zealand (EHINZ). URL: www.climatecommission.govt.nz/assets/Monitoring-and-reporting/NAPPA-2024/3.a-EHINZ_Social-vulnerability-to-the-impacts-of-climate-related-hazards.pdf (accessed 8 August 2025).

Expert Working Group on Managed Retreat (2023). *Report of the Expert Working Group on Managed Retreat: A proposed system for te hekenga rauora/planned relocation.* Wellington: Expert Working Group on Managed Retreat URL: https://environment.govt.nz/assets/publications/climate-change/Report-of-the-Expert-Working-Group-on-Managed-Retreat-updated-08-24.pdf (accessed 8 August 2025).

Iorns C, Godfrey M (2024). Ka mate kāinga tahi, ka ora kāinga rua: Legal barriers and obligations in improving Māori access to dwelling insurance for natural hazards. Research report for Natural Hazards Commission – Toka Tū Ake, project no. 3800. URL: www.naturalhazards.govt.nz/assets/Publications-Resources/Funded-Research-papers/Iorns-Godfery-final-EQC-report-w-Exec-Summary-March2025.pdf (accessed 8 August 2025).

Jarzabkowski P, Chalkias K, Cacciatori E, Benarek R (2018). *Between State and Market: Protection Gap Entities and Catastrophic Risk.* Cass Business School, City, University of London. URL: https://paulajarzabkowski.com/research-insights/between-state-and-market-protection-gap-entities-and-catastrophic-risk/ (accessed 8 August 2025).

Jensen L, Pfitzner L (2025). Intergenerational fairness from a climate policy perspective: current trends and priorities for the EU. *Briefing: Towards climate neutrality.* European Parliament. URL: www.europarl.europa.eu/RegData/etudes/BRIE/2025/769558/EPRS_BRI(2025)769558_EN.pdf (accessed 8 August 2025).

Link Economics (May 2025). Reporting on New Zealand house and contents insurance costs. Prepared for Consumer NZ.

Mercier K (2024). *Premiums under Pressure: How climate change is reshaping residential property insurance and what to do about it.* The Helen Clark Foundation and WSP New Zealand.

Ministry for the Environment (2022). *Urutau, Ka Taurikura: Kia Tū Pakari a Aotearoa I ngā Huringa Āhuarangi: Adapt and Thrive: Building a climate-resilient New Zealand. Aotearoa New Zealand's first national adaptation plan.* Wellington: Ministry for the Environment. URL: https://environment.govt.nz/assets/publications/MFE-AoG-20665-GF-National-Adaptation-Plan-Summary-2022-v5-WEB.pdf (accessed 8 August 2025).

Ministry for the Environment (2024). Coastal Hazards and Climate Change Guidance. Wellington: Ministry for the Environment. URL: https://environment.govt.nz/assets/publications/Coastal-hazards-and-climate-change-guidance-2024-ME-1805.pdf (accessed 8 August 2025).

Nevitt M, Pappas M (2024). Climate risk, insurance retreat, and state response. *Georgia Law Review,* vol 6, no. 4. URL: https://digitalcommons.law.uga.edu/cgi/viewcontent.cgi?article=1556&context=glr (accessed 8 August 2025).

New Zealand House of Representatives Te Whare Māngai o Aotearoa – Finance and Expenditure Committee Komiti Whiriwhiri Take Pūtea, Take Whakapaunga Pūtea (54th Parliament September 2024). Inquiry into climate adaptation.

NIWA: Deep South Challenge (2019). *Coastal Flooding Exposure Under Future Sea-level Rise for New Zealand.* URL: https://deepsouthchallenge.co.nz/wp-content/uploads/2021/01/Exposure-to-Coastal-Flooding-Final-Report.pdf (accessed 8 August 2025).

NZIER (2024). NZIER Insight 109: Incentivising resilience to adverse climate change events. URL: www.nzier.org.nz/publications/incentivising-resilience-to-adverse-climate-change-events-nzier-insight-109 (accessed 8 August 2025).

Owen S, Noy I (2017). The unfortunate regressivity of public natural hazard insurance: A quantitative analysis of a New Zealand case. *SEF Working Paper 13/2017.* Victoria University of Wellington: School of Economics and Finance: Victoria Business School. URL: www.victoria.ac.nz/__data/assets/pdf_file/0006/896847/SEF-WP_13-2017.pdf (accessed 8 August 2025).

Peart R, Tombs BD, Marshall K. Options and models for managed relocation policy (working paper 3). Aotearoa New Zealand's Climate Change Adaptation Act: Building a Durable Future. URL: https://eds.org.nz/ (accessed 8 August 2025).

Productivity Commission (2012). *Barriers to Effective Climate Change Adaptation.* Australian Government. URL: www.pc.gov.au/inquiries/completed/climate-change-adaptation/climate-change-adaptation-draft.pdf (accessed 8 August 2025).

Reserve Bank of New Zealand Te Pūtea Matua (2023). Bulletin: 2023 Climate Stress Test results. URL: www.rbnz.govt.nz/hub/publications/bulletin/2024/rbb-2024-87-05 (accessed 8 August 2025).

Reserve Bank of New Zealand Te Pūtea Matua (2024). Financial Stability Report May 2024. URL: www.rbnz.govt.nz/hub/publications/financial-stability-report/2024/may-2024/financial-stability-report-may-2024 (accessed 8 August 2025).

Review into the Future for Local Government (2023). *He Piki Tūranga, He Piki Kotuku. Wellington.* URL: www.whakatane.govt.nz/files/documents/future_for_local_government_-_final_report_from_the_review_panel.pdf (accessed 8 August 2025).

Senate Budget Committee (December 2024). Next to fall: the climate-driven insurance crisis is here – and getting worse.

Storey B, Owen S, Noy I and Zammit C (2020). *Insurance Retreat: Sea level rise and the withdrawal of residential insurance in Aotearoa New Zealand. Report for the Deep South National Science Challenge, December 2020.* URL: https://deepsouthchallenge.co.nz/wp-content/uploads/2021/01/Insurance-Retreat-December-2020-Final-Report.pdf (accessed 8 August 2025)

Storey B, Kloppenburg N, Knox D and Zammit C (2025). Estimated number and valuations of residential properties within inundated/flood zones impacted by climate change. Climate Sigma Ltd. URL: https://environment.govt.nz/assets/publications/5.-CLIMATE-SIGMA-FINAL-REPORT_16-JAN-2025.pdf (accessed 8 August 2025).

Storey B, Owen S, Zammit C and Noy I (August 2023). Insurance retreat in residential properties from future sea level rise in Aotearoa New Zealand. *Climatic Change* (2024) 177:44. DOI: https://doi.org/10.1007/s10584-024-03699-1 (accessed 8 August 2025).

Stuff (23 October 2024). Family successfully challenges insurance company's flood risk charge.

Stuff (25 July 2025). IFSO insurance disputes hit record high as unresolved complaints climb.

Stuff (3 October 2020). The competition divide: why are Aussie insurers' profits so high in NZ?

The Independent Reference Group on Climate Adaptation (2025). *A Proposed Approach for New Zealand's Adaptation Framework.* Wellington: Ministry for the Environment. URL: https://environment.govt.nz/assets/publications/climate-change/A-proposed-approach-for-New-Zealands-adaptation-framework-final.pdf (accessed 8 August 2025).

The Treasury Te Tai Ōhanga (2 October 2024). Reference: 20240728. T2024/584.

The Treasury Te Tai Ōhanga (August 2024). Residential Flood Insurance Issues Information Release. T2023/1934.

The Treasury Te Tai Ōhanga (21 March 2024). Reference: 20240086. Finity reports.

The Treasury Te Tai Ōhanga (26 July 2022). Reference: 20220252.

The Treasury Te Tai Ōhanga (December 2022). Aon: A National Flood Risk Assessment of NZ.

The Treasury Te Tai Ōhanga (December 2022). Residential Flood Insurance Issues Information Release. T2022/321

The Treasury Te Tai Ōhanga (27 June 2004). Insurance update T2023/2206.

Consumer NZ
PO Box 932
Wellington 6140
New Zealand
e: info@consumer.org.nz
w: consumer.org.nz

consumer.