

28/02/2025

Financial Markets
The Treasury
PO Box 3724
Wellington 6140

Submission: Reviewing the financial settings and levy settings in the Natural Hazards Insurance Act 2023 consultation document

Tēnā koutou

Age Concern New Zealand He Manaakitanga Kaumātua Aotearoa welcomes the opportunity to submit comments on the Financial and Levy Settings consultation document.

Age Concern New Zealand recognises the need for the Natural Hazards Commission Toka Tū Ake to sustainably manage and fund the cost of claims arising from natural hazards such as earthquakes, floods, landslides, volcanic activity, geothermal activity, storms and tsunami.

We are also aware that climate change is affecting the severity and frequency of emergency weather events in Aotearoa, with some areas being hit repeatedly by severe weather.

This is a challenging scenario that requires all parties to work together to find practical, affordable, long-term solutions that are well thought out and protect the wellbeing of New Zealanders while also being financially sustainable.

Our Comments

1. There is obvious tension between managing the cost of natural hazard insurance claims and the affordability of house insurance for homeowners. For homeowners living on low fixed incomes, such as New Zealand superannuation, house insurance needs to be affordable, or they will not be able to protect their most valuable asset.
2. The October 2024 IPSOS New Zealand Issues Monitor reported that inflation and the cost of living remain the top issue for New Zealanders. ¹ Many people are struggling to

¹ <https://www.ipsos.com/en-nz/ipsos-nz-issues-monitor-oct-2024>

cover increased costs for housing, rates, energy, insurance, groceries, health care and transport.

3. We are concerned that within this challenging context for so many New Zealanders, further insurance cost increases are planned. We note too that the consultation document signals that Fire and Emergency levy changes are also in the pipeline.
4. Survey results released by Consumer NZ in 2024 highlighted growing concern among homeowners about the rising costs of house insurance.² Their report stated that house insurance premiums have risen by 97% over the past decade, and contents policies by 48%. Consumer NZ went on to encourage New Zealanders to assess their level of cover and shop around for better deals with other insurance providers, something that apparently many people are reluctant to do.
5. In May 2024 the Insurance Council announced they were aware that people were letting their house insurance lapse.³ The Council went on to report that premiums had jumped more than 30% over the past year in some parts of New Zealand. If the cost of house insurance goes up further, it is predicable that more people will let their policies lapse.
6. We are also concerned to hear that new homes continue to be built in disaster-prone areas. For example, we have read a report that 1,415 new homes have been consented to be built on Auckland flood plains in the year following severe flooding in that area during 2023.⁴
7. Legislation and planning changes are required to prevent building new homes in risk prone areas which will only aggravate an already serious situation that impacts people's lives and livelihoods as well as increasing current and future costs for insurers.
8. All the issues raised in our comments point to many New Zealanders being under huge financial pressure. including older people. For example, the Retirement Commission Te Ara Ahunga Ora reported that New Zealand Superannuation is the sole income for 40% of over 65-year-olds, with a further 20% having little additional income.⁵ Through our work we hear a growing number of older people are doing it tough, trying to live on their

² <https://www.insurancebusinessmag.com/nz/news/property/rising-insurance-costs-concern-new-zealand-homeowners-477568.aspx>

³ <https://www.rnz.co.nz/news/national/516138/insurance-woes-we-know-that-consumers-are-doing-it-tough>

⁴ <https://www.rnz.co.nz/news/in-depth/540017/hundreds-of-new-builds-in-auckland-flood-zones-as-councils-wait-on-planning-reform>

⁵ <https://retirement.govt.nz/news/latest-news/new-research-highlights-how-reliant-older-new-zealanders-are-on-nz-super/>

superannuation. They are having to make choices that mean it is difficult for them to age in place with a sense of wellbeing.

9. It is distressing for any insured homeowner to face the impact of a natural hazard event and deal with the claims process, which can be protracted and confusing. It is arguably even more distressing for older New Zealanders and people with disabilities. It can lead to a sense of isolation as well as erosion of their savings if they have any, with no chance of them regaining a sound financial position.

We recognise the challenges facing the insurance sector and homeowners and that there are no simple solutions, however we offer the following recommendations

Our Recommendations

1. House insurance must be **available** to all homeowners, and **it must be affordable**.
2. Proposed **changes to the financial settings and levy settings are likely to lead to house insurance being too expensive for people on limited incomes**, including older people and people with disabilities. This will exacerbate current inequitable outcomes.
3. Increased financial settings and increased levy settings may contribute to low-income people, including those reliant solely on New Zealand superannuation, **not insuring their house at all, having too little cover, letting their insurance policy lapse or going without other essentials, for example nutritious food or heating, to keep paying their insurance premiums**.
4. **Phasing of the increases may help in the short-term**; however increased costs are likely to mean that a growing number of New Zealanders on low fixed incomes are unable to afford house insurance.
5. Legislative and planning changes are urgently required to ensure that **new homes are not built in areas that are likely to have repeated natural hazard issues**, such as flooding.
6. The claims process after a natural hazard event must be **fair, transparent, and speedy**.

Who we are

Age Concern is a trusted charity working in local communities throughout Aotearoa to support older people, their friends and whānau. Our values – Dignity, Wellbeing, Equity, and


Respect for older people are our guiding lights and underpin everything we do. We aim to ensure older New Zealanders get the best advice and support no matter where they live in Aotearoa. With a network of 29 local Age Concerns operating in 40 locations, and a national office based in Wellington, we are the place to go for services and information about getting older.

We are proud of our heritage of standing up for the rights of older New Zealanders for more than 75 years. As an organisation, our focus is on contributing to the overall wellbeing of older New Zealanders. We work to prevent the abuse and neglect of older adults; improve their health and wellbeing; reduce loneliness and social isolation; and advocate for older people's rights.

Closing Comment

Thank you again for the opportunity to provide our feedback on the Review of financial settings and levy settings in the Natural Hazards Insurance Act 2023. We look forward to hearing the outcome of the consultation and are happy to clarify any comments we have made.

Nāku noa, nā



Karen Billings-Jensen
Chief Executive
Age Concern New Zealand