Insuring the Future:

Climate change and the fate of residential property insurance – or keeping insurance affordable and accessible

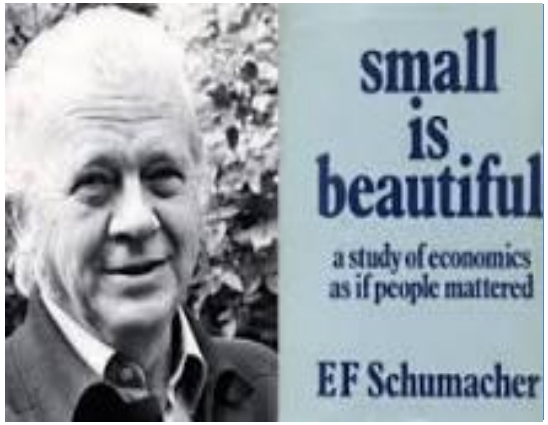
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Te Herenga Waka – Victoria University of Wellington

November 2026

Hope



I cannot predict the wind, but I can have my sail ready.

E. F. Schumacher



Outline:

1. Summary – key points
2. Focus on home insurance
3. Natural hazards and the policy context in Aotearoa
4. Key policy issues
5. Two main options for reform
6. A preferred approach

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Thanks

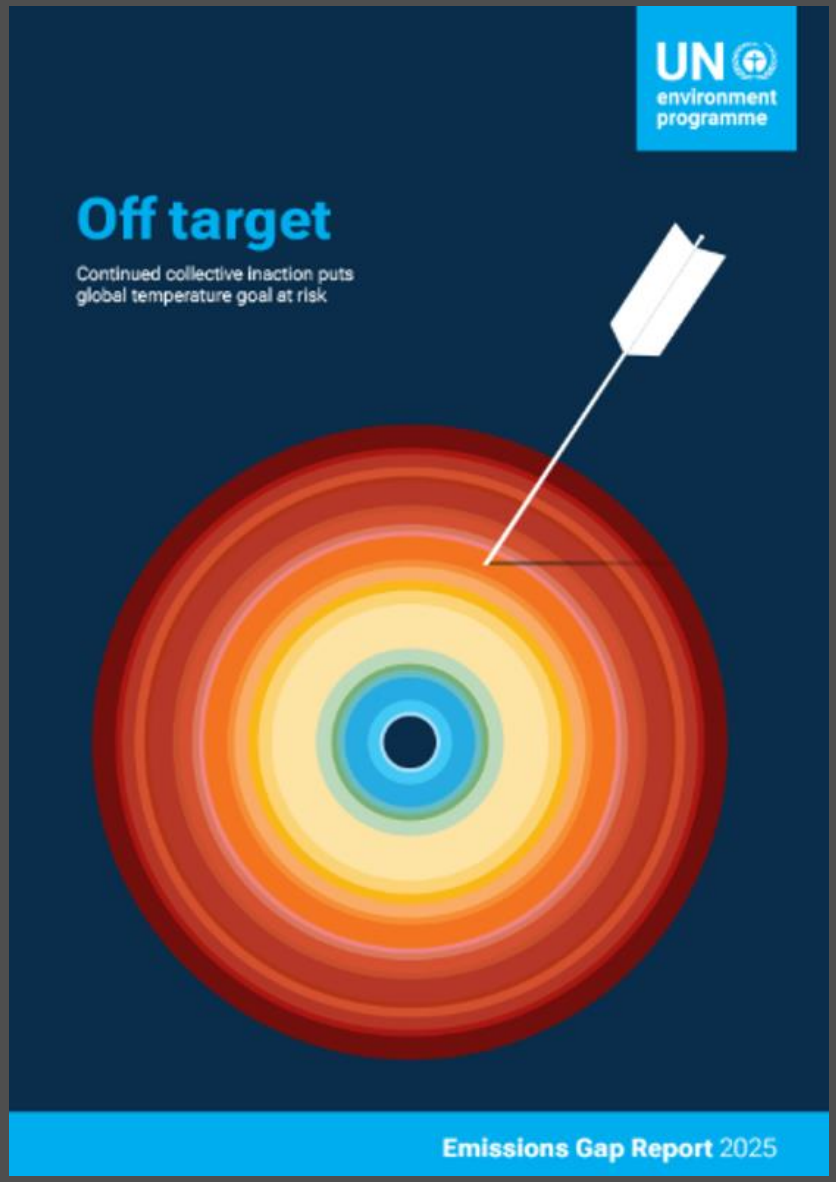
1. Acknowledgements
   - Fiona Macdonald (Auckland Council) and Jane Hancock (Wellington Water) – rain gauges & photos
   - James Hansen: https://www.columbia.edu/~jeh1/
   - John Morrison (photos)
   - David Middleton (tables)
   - Dr Jo Horrocks (NHC) (photos)
   - Dr Judy Lawrence (slide)
2. ARI = Annual Recurrence Interval
3. AEP = Annual Exceedance Probability (e.g. in a year)

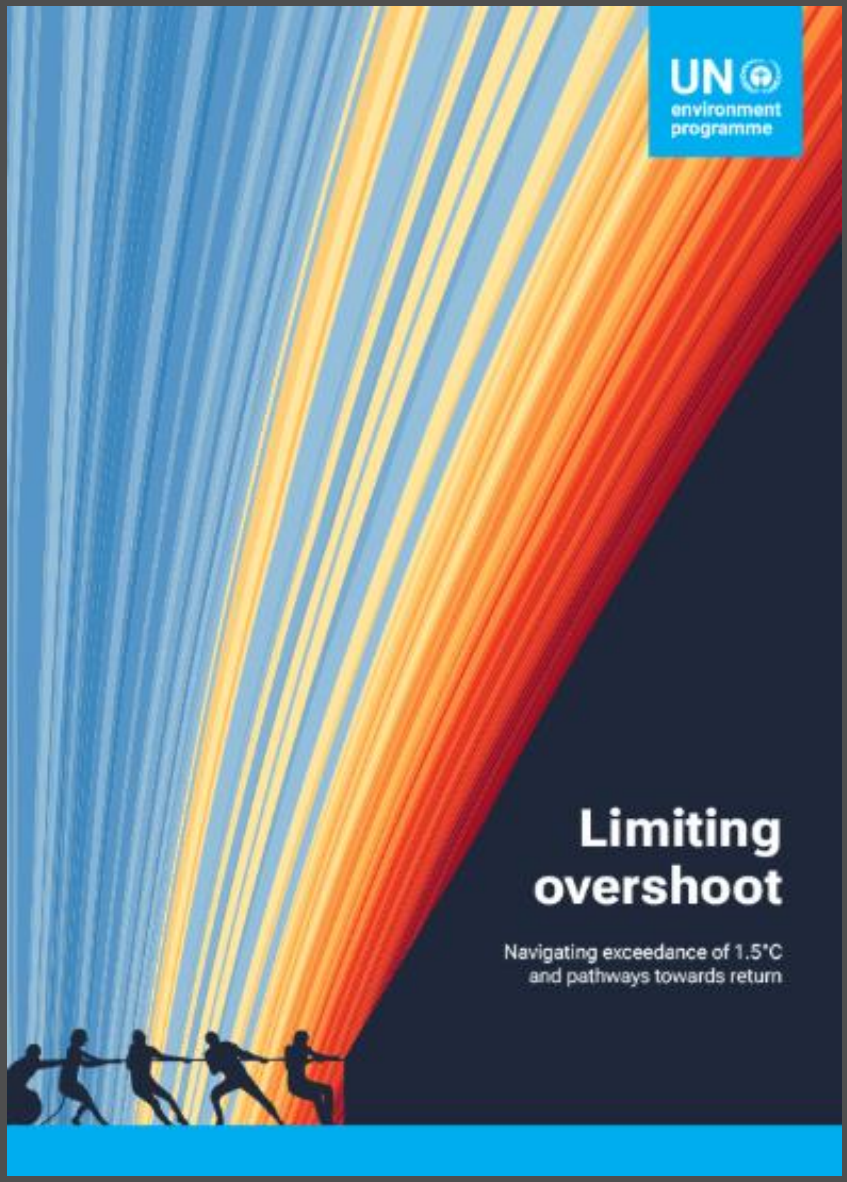
Summary: the policy problem

1. NZ faces many natural hazard risks
2. Climate change exacerbates risks
3. Inflation-adjusted global insured losses from disasters are rising
4. Average home insurance premiums in NZ have risen dramatically since 2000
5. Insurance affordability is declining
6. Insurance retreat, both partial and full, will accelerate
7. Economic and societal resilience will decline without reforms
8. Our policy frameworks for adaptation and natural hazards insurance are not fit for purpose

Summary: solutions

1. Learn from other countries and the past
2. Be mindful of deep uncertainty and unprecedented risks
3. Employ foresight, evidence, ethics and good judgement
4. Don’t assume that people manage unfamiliar risks well
5. Take a precautionary, proactive, holistic and integrated approach
6. Adaptation: maximise risk avoidance and cost-effective risk reduction, including planned relocation
7. Natural hazards insurance: extend the role of the NHC (EQC) to include climate related perils and adaptation
8. Reform the existing subsidies for residential property insurance


UN environment programme
Off target
Continued collective inaction puts global temperature goal at risk
Emissions Gap Report 2025


UN environment programme
Limiting overshoot
Navigating exceedance of 1.5°C and pathways towards return

Some useful references

1. Consumer NZ, *Will you be able to get home insurance by 2035?* (Wellington, 2025)
2. Kali Mercier, *Premiums under Pressure* (Auckland, Helen Clark Foundation, 2024)
3. Expert Working Group on Managed Retreat, Report (Wellington, Ministry for the Environment, 2023)
4. Paula Jarazablowski, et al., *Disaster Insurance Reimagined: Protection in a Time of Increasing Risk* (Oxford, Oxford University Press, 2023)
5. Jonathan Boston, *A Radically Different World: Preparing for Climate Change* (Wellington, Bridget Williams Books, 2024), Ch.6
6. Laurence Barry, 'The moral economies of natural disasters insurance: solidarity or individual responsibility?', *Journal of Cultural Economy*, 17, 1, 2024, pp. 39-54
7. David Middleton, Submission on the Earthquake Commission/Natural Hazards Commission/Toka Tū Ake, 2024
8. Belinda Storey, et al., 'Insurance retreat in residential properties from future sea level rise in Aotearoa New Zealand*', Climatic Change*, 177, 2024
9. Swenja Surminski, et al., *Staying Above Water: A Systematic Response to Rising Flood Risk (*London, Marsh and McLellan, 2023)
10. Papers by RBNZ, the Treasury, Finance and Expenditure Committee, etc.

In this clear-eyed work, policy expert Jonathan Boston tackles one of the urgent challenges presented by climate change: as extreme weather events escalate, how can residential property insurance remain accessible and affordable?

Given New Zealand's distinctive hazards and at-risk communities, small changes won't be enough. A paradigm shift is required across risk governance, adaptation planning, and property insurance arrangements. We need fair, collective risk-sharing, vigorous risk avoidance, and serious public investment, including planned relocation where long-term protection is neither cost-effective nor feasible.

Navigating the stark realities of our future will be challenging, and there are powerful political incentives for procrastination. But delay will be costly; poor policy choices likewise. *Insuring the Future* seeks to encourage debate and proposes practical, integrated solutions.

Jonathan Boston is an Emeritus Professor of Public Policy at Te Herenga Waka—Victoria University of Wellington, where he has served as Director of the Institute for Governance and Policy Studies and Director of the Institute of Policy Studies, and has been involved in numerous policy reforms. During 2022–23 he served on the Expert Working Group on Managed Retreat. A 2014 Fulbright Fellow, he is an Honorary Senior Fellow of the Helen Clark Foundation, co-edits *Policy Quarterly*, and has served on several boards, including Oxfam Aotearoa.

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Jonathan Boston

Insuring the Future

'Urgent and timely' **Max Rashbrooke**

Insuring the Future

Reimagining Home Insurance in Aotearoa

Jonathan Boston



What is the problem?

There is much at stake

What is at stake?

Flora and fauna and human habitats,
mobility, infrastructure, economic activity,
lost earnings, recovery costs, adjustment costs



Wright St, Mt Cook,
Wellington, 20 April 2026



Wright St, Mt Cook, Wellingotn, 20 April 2026

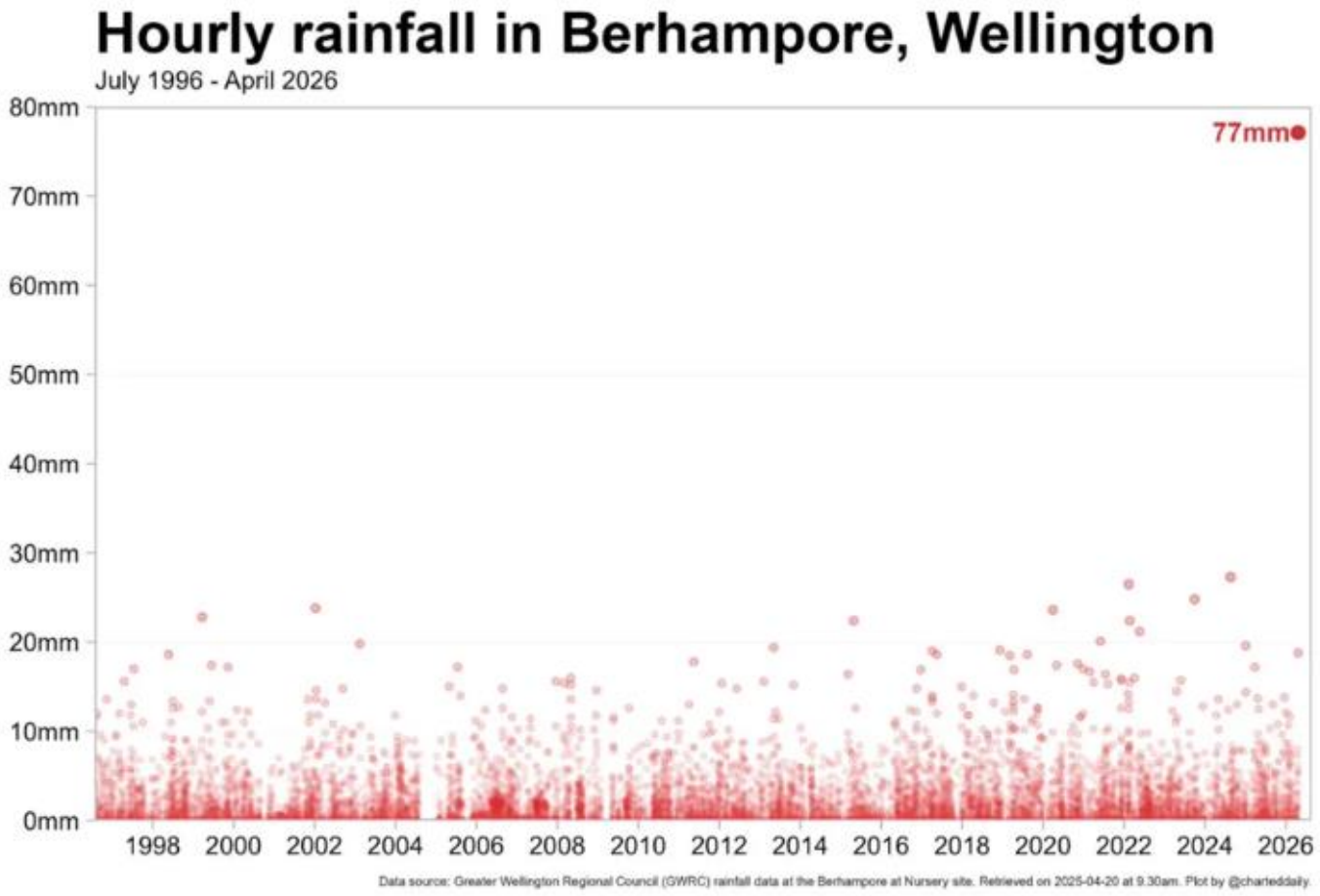

Emerson St, Berhampore

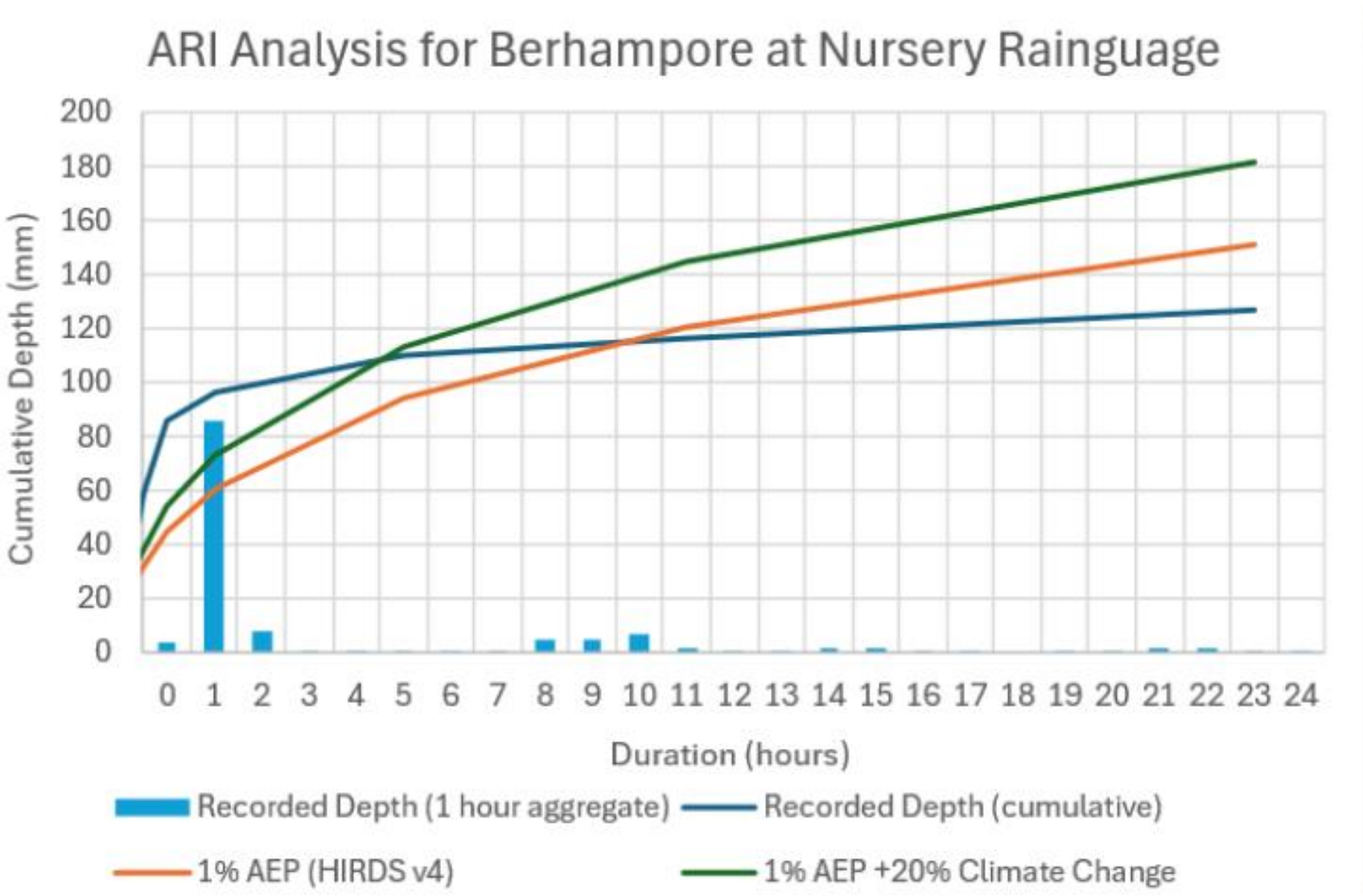
Liardet St, Vogeltown





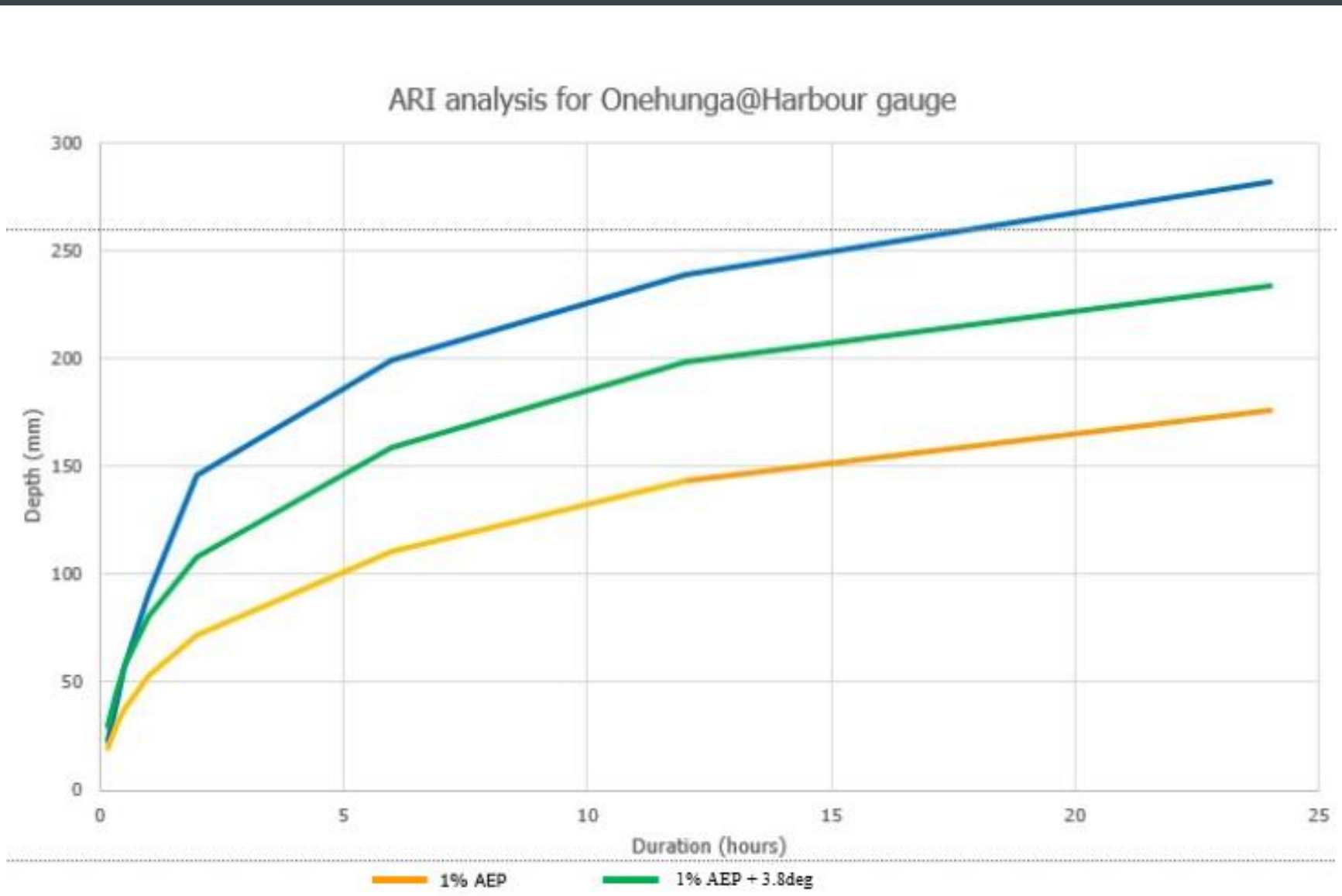
Amos Way, Kingston


Hourly rainfall in Berhampore, Wellington
July 1996 - April 2026
80mm
70mm
60mm
50mm
40mm
30mm
20mm
10mm
0mm
77mm
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026
Data source: Greater Wellington Regional Council (GWRC) rainfall data at the Berhampore at Nursery site. Retrieved on 2025-04-20 at 9.30am. Plot by @charteddaily


ARI Analysis for Berhampore at Nursery Rainguage
Cumulative Depth (mm)
200
180
160
140
120
100
80
60
40
20
0
0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24
Duration (hours)
Recorded Depth (1 hour aggregate)
Recorded Depth (cumulative)
1% AEP (HIRDS v4)
1% AEP +20% Climate Change

Notes on Berhampore rain gauge data

1. The Berhampore rain gauge data is from the GWRC. Jane Hancock (Wellington Water) used the 10-minute data. She then summed this to get the hourly totals, but at 10-past the hour instead of on the hour, because the most rainfall fell between 3:10am and 4:09am.
2. The statistics are from the High Intensity Rainfall Design System (Version 4), HIRDS v4
3. This is a preliminary assessment based on the statistics in HIRDS v4 and Wellington Water's climate change allowance standard of +20% on the rainfall.
4. Wellington Water have engaged a hydrologist to complete a full analysis of the events.


ARI analysis for Onehunga@Harbour gauge
300
250
200
150
100
50
0
Depth (mm)
0
5
10
15
20
25
Duration (hours)
1% AEP
1% AEP + 3.8deg

Notes on Auckland rain gauge data

1. The Onehunga rain gauge data was provided by Fiona Macdonald at Auckland Council
2. For most of Auckland, the Anniversary Day event was under 1% AEP for the critical duration for our catchments.
3. As the catchments are generally short and steep, most of Auckland has a critical duration of under 1-2 hour, i.e., shorter events, so looking at the 24-hour depths is a bit misleading in terms of flooding outcomes.

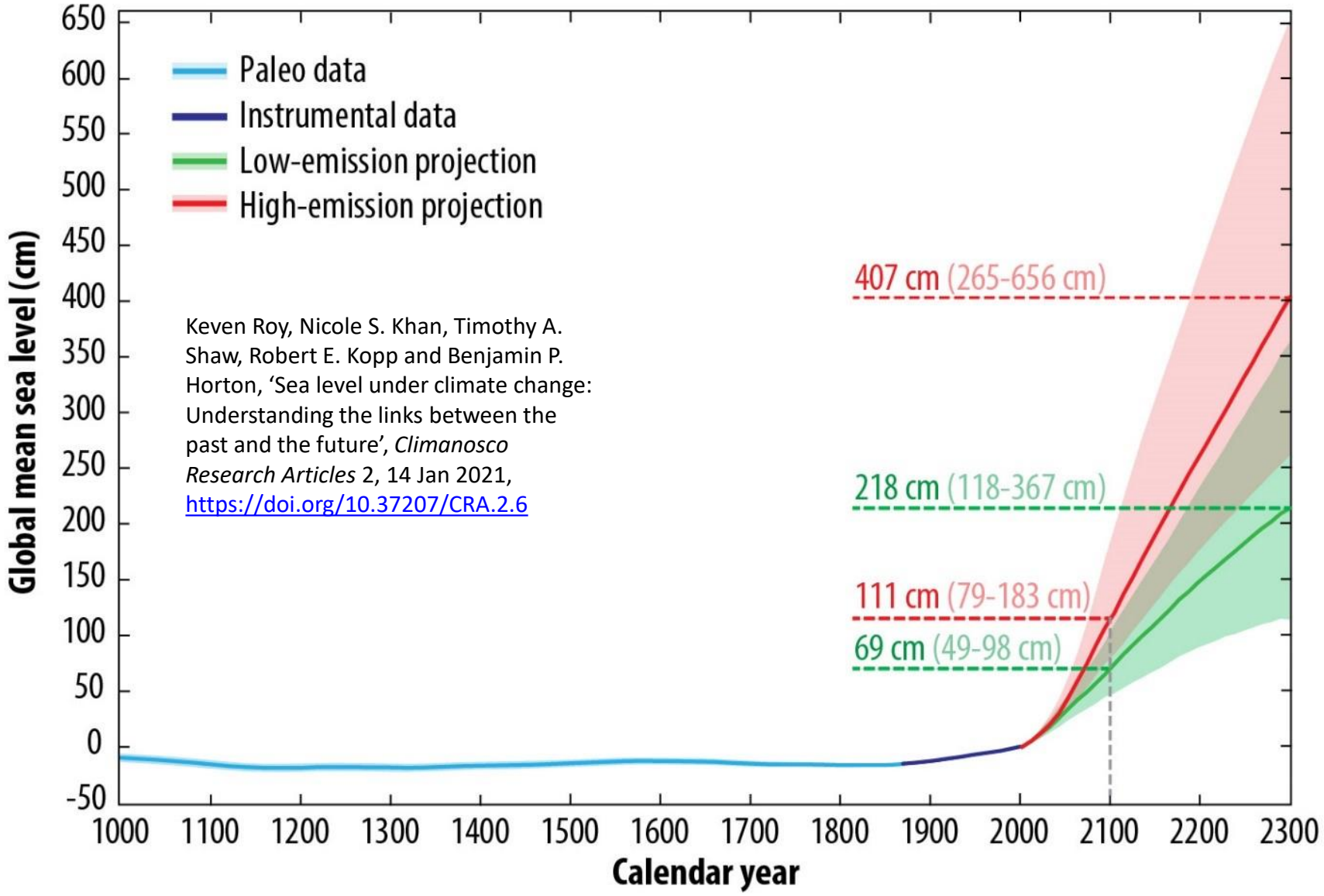


What is the problem?

There is much worse to come

Sea level rise (SLR) projections

1. Globally, an additional **15-20cm is very likely by 2050** (on top of the 20cm since 19th century), but much variation
2. SLR **beyond 2050** – depends on:
   - global GHG emissions
   - the Earth system response, including whether key tipping points are crossed
   - the extent of SRM, DAC, CCS, BECCS
3. Projections **for 2100+** vary significantly:
   - low GHG emissions scenario, SLR could be only 50cm (but likely 70cm)
   - high GHG emissions scenario, over 1 metre is likely by 2100, with the potential for more
4. SLR will likely **continue for centuries+**



Keven Roy, Nicole S. Khan, Timothy A. Shaw, Robert E. Kopp and Benjamin P. Horton, 'Sea level under climate change: Understanding the links between the past and the future', *Climanosco Research Articles* 2, 14 Jan 2021, https://doi.org/10.37207/CRA.2.6


Wellington
1 metre of sea
level rise
POWERED BY esri
Sourced from the LINZ Data Service and licensed for re-use under the Creative Commons Attributio...



What is the problem?

Our policy frameworks are flawed

The context for property insurance in Aotearoa

1. A relatively high-risk environment for property ownership, with multiple and significant natural hazards; raises significant fiscal issues
2. Two main hazards: geophysical and weather-related
3. Around 14% of people live in flood-prone areas
4. Weak regulation of land use: construction continues in flood-prone areas (see slides)
5. High home insurance penetration, but declining
6. Natural hazard events have been costly for Aotearoa, especially since 2010 (the Canterbury earthquake sequence)
7. Severe weather events have become more frequent and more costly – two expensive events in early 2023, more 'red' warnings and states of emergency
8. Climate change will generate ever-greater impacts … sea level rise will accelerate and inflict very high costs as the century progresses
9. Further large seismic events are inevitable
10. Wellington faces high risks from multiple natural hazards

Recent trends in insurance markets

1. Global trends:
    1. Better risk data
    2. Rising property insurance losses – multiple reasons
    3. Rising insurance and reinsurance costs
    4. Declining insurance affordability
    5. Increasing insurance retreat

2. Local trends:
    1. Rising property insurance losses – multiple reasons
    2. Rising insurance premiums – multiple reasons, and declining affordability
    3. Shift away from replacement value to sum insured value
    4. Community-based pricing moving to risk-related premiums: earthquakes, storm surge, landslides & flooding), major regional variations
    5. Increasing evidence of partial and full insurance retreat, but early stages

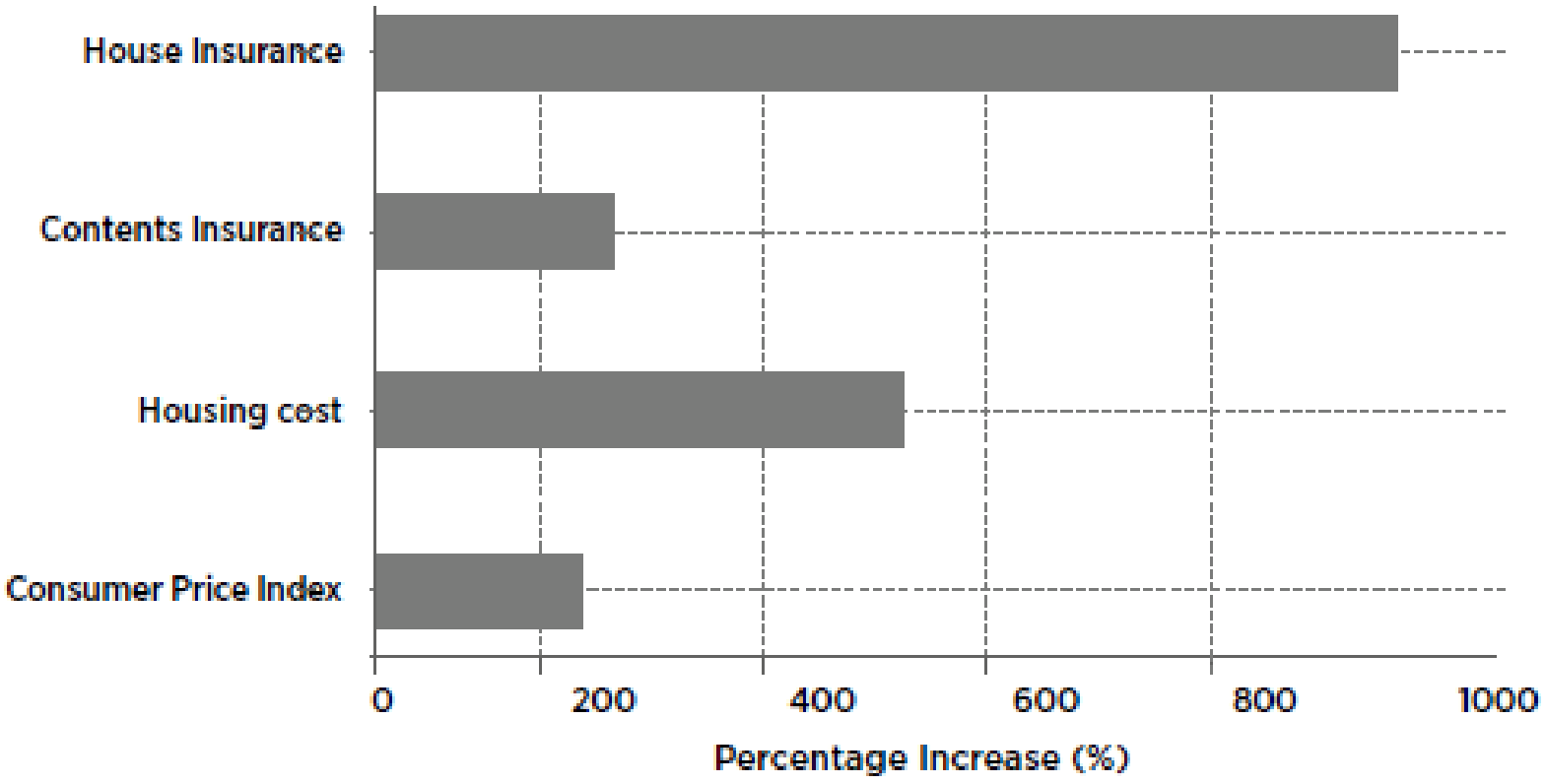


Figure 1.1: Cost increases from Q1 2000 to Q2 2025

Source: Stats NZ

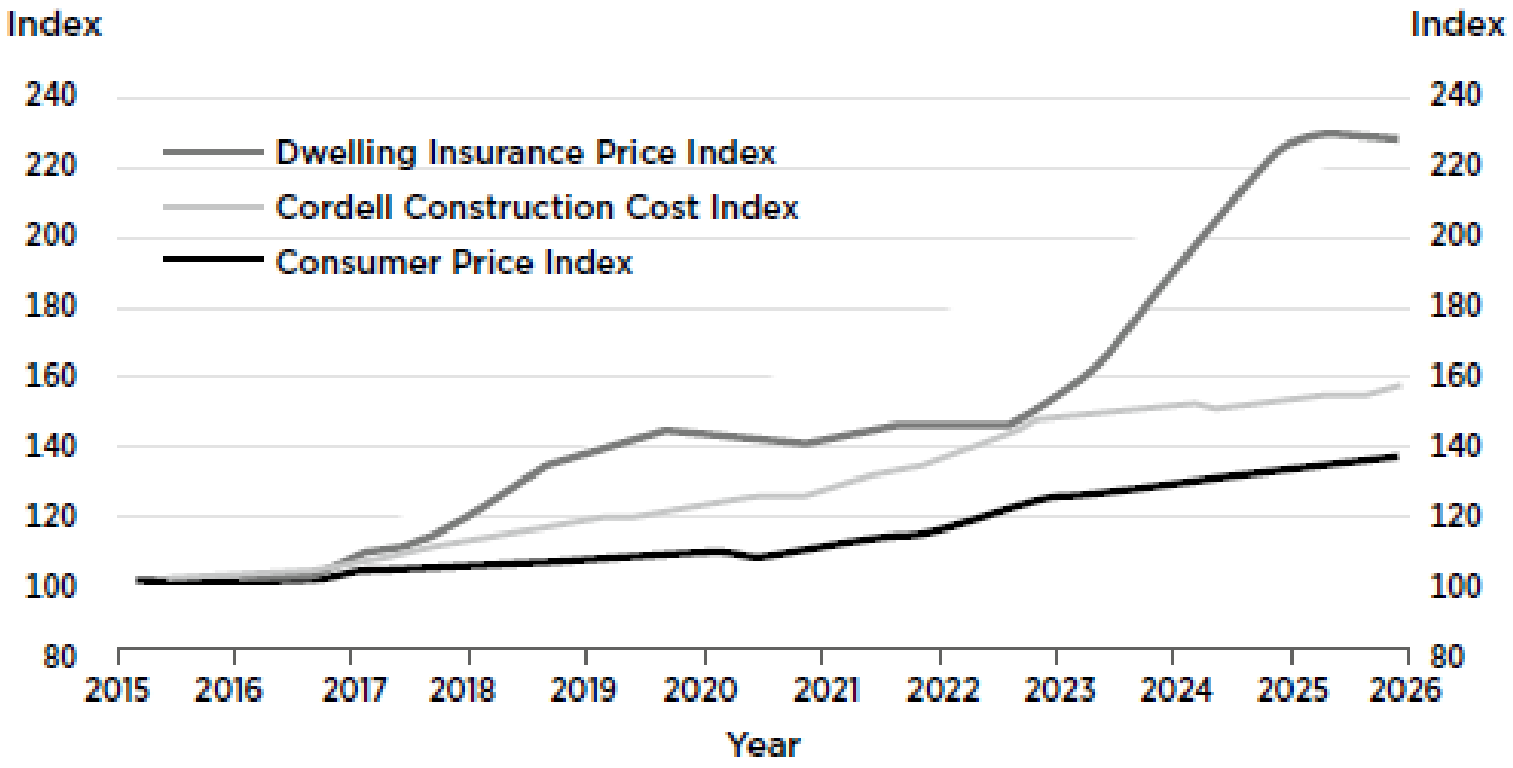


Figure 4.1: Dwelling insurance costs and construction costs, 2015–25

Note: The Cordell Construction Cost Index measures the cost to build a standard house – a 200m^2 concrete slab house with three bedrooms and two bathrooms.

Sources: Reserve Bank of NZ, Cordell, Stats NZ; updated from the Reserve Bank of NZ, *Financial Stability Report May 2024*.

Table 4.2: Median cost for home and contents insurance for a standard house in six main centres, 2024 and 2025

Main centre	2024	2025	Difference
Auckland	$2,414.57	$2,288.26	-$126.31
Hamilton	$2,294.04	$2,404.97	$110.93
Tauranga	$2,381.01	$2,607.49	$226.48
Wellington	$3,657.76	$3,824.49	$166.73
Christchurch	$2,954.15	$3,004.21	$50.06
Dunedin	$2,246.25	$2,226.92	$19.33

Source: Rebecca Styles, 'Premium puzzle: what's the cost of insuring your home?', *Consumer*, Autumn 2026, Issue 631, p.52.

The Policy Framework for Home Insurance in Aotearoa

1. Small insurance market, concentrated, not very competitive
2. National Hazards Commission/Toka Tū Ake (NHC) (previously EQC) – Crown entity (agent)
   - Covers only homes (dwellings) that are insured, not contents or non-residential properties
   - Covers geophysical perils but not weather-related perils
   - Covers damage to some residential land, but no separate levy
   - The current NHI levy is not covering the NHC's long-term risks
   - Can offer advice on land-use planning, but has no regulatory powers
   - Not responsible for funding adaptation
   - Does not have a political mandate to provide last-resort cover for dwellings

The way forward: Key policy questions

1. Is home insurance a social and/or merit good?
2. What does fairness mean in an insurance context?
3. Is insurance affordability important and, if so, what does it mean?
4. Can people be relied upon to manage risks competently?
5. Can private insurance markets be relied upon to manage natural disasters or catastrophic risks well?
6. How have governments intervened internationally to manage natural hazard events?
7. How might the role of the NHC be reformed?

Home insurance – what type of good?

1. Home insurance is a **private good** (in economic terms) – excludable & optional, but:
2. Home insurance is a **social good** – high penetration has positive spillovers –helps the economy & society by enhancing resilience & post-disaster recovery
3. Home insurance is a **merit good** – it is good for those who have it; hence, it is the kind of 'good' that homeowners should be encouraged to purchase and should have a fair opportunity to secure
4. Home insurance is **treated as a merit good** in Aotearoa and in most other developed countries, including the US
   - The EQC/NHC has enjoyed multiparty support for three generations
   - A neo-liberal National government in the early 1990s introduced means-tested subsidies for dwelling insurance

Competing concepts of fairness

1. **Solidarity fairness (social model)**: insurance should be available and affordable to all homeowners
   - Significant cross-subsidization and collective risk pooling, especially for natural hazards, is morally justified, but only affordable with strong risk avoidance and risk reduction measures

2. **Actuarial fairness (market model)**: insurance premiums should reflect the level of risk; high risk properties should face high insurance premiums
   - Cross-subsidization is unfair; insurance is the responsibility of owners, not society
   - If homeowners cannot afford their insurance premiums, that is their bad luck
   - If insurance becomes unavailable, the costs should fall on the (foolish) owners

Position (2) is increasingly the dominant position in Aotearoa. But its advocates have not yet proposed the abolition of NHC. Presumably, this will come …

Risk and human behaviour

Do human beings manage risks well?

1. Types of risk
   - Familiar/unfamiliar
   - Manageable/unmanageable
   - Those requiring collective solutions
2. Cognitive biases – many and very common
3. Empirical evidence – highlights the limits of market signals
4. The role of the state
   - Fundamental role in helping societies cope with large-scale, catastrophic risks (war, pandemics, natural hazards, etc.)

Lessons from other countries

1. Many different models internationally but all have weaknesses
2. Property insurance models are evolving – Protection Gap Entities lie the NHC are being reformed
3. Most countries have yet to implement transformative adaptation strategies
4. Some approaches to natural hazard insurance are flawed and not suitable for Aotearoa (e.g. UK and US)
5. Several European countries have models for that are worth exploring:
   - France
   - Spain
   - Switzerland
   - Iceland

The way forward: two main options

1. **Market model** – individual responsibility, actuarial fairness, risk-rated premiums, etc.
2. **Solidarity** model – mutual responsibility, collective risk-pooling, flat-rate/community-based premiums, etc.

- Both models have advantages & disadvantages; a mix is possible
- There is a significant risk of policy failure and maladaptation

The way forward: Market Model

1. Improve risk information and risk governance
2. Improve land-use planning
3. Employ beneficiary-pays principle
4. Rely on risk information and risk-based pricing to reduce risk
5. Rely on private insurance markets
6. Abolish NHC?
7. Phase-out property buy-outs by 2045?
8. Likely implications

Key message

“You are on your own”

Likely implications of the market model

1. Risk information issues – gaps, commercial confidentiality, asymmetries, changing risk profiles, deep uncertainty, etc.
2. Cognitive biases (e.g. optimism, myopia, inertia, amnesia, herding, etc.) and vested interests may prevail over reliable risk assessments
3. Increasing underinsurance and non-insurance
4. Less economic and societal resilience, and increased fiscal risks
5. Risk of abrupt adjustments to property prices (e.g. post-disaster)
6. Unplanned retreat, more damage, more hardship, less social cohesion …

A way forward: the social model

1. An integrated, holistic approach:
   - better risk information and risk governance
   - maximize risk avoidance
   - integrate adaptation planning and property insurance
   - establish adaptation funds for cost-effective defensive structures and planned relocation
2. Aims:
   - maintain economic and social resilience
   - minimize long-term societal costs
   - minimize hardship and inequality by enabling affordable and accessible insurance cover for all homes
   - retain a viable private insurance market

A way forward: the social model

1. Extend NHC's role to cover all natural hazards
2. Enable NHC to provide temporary (last resort) insurance cover for residential properties zoned for relocation
3. Give NHC major adaptation responsibilities
4. Review NHC's first loss cover, levy cap & rate
5. Introduce a separate levy for land cover
6. Bespoke arrangements for communal property (Treaty of Waitangi)
7. Establish agreed criteria for insurance affordability and redesign the current means-tested subsidies
8. Phase in the new policy regime gradually to enable insurance companies to adjust their policies and avoid large, abrupt premium changes

Key message

“You are NOT on your own”

Objections to the social model

1. **Not needed** – the impacts of climate change are manageable with current policies (wrong)
2. **Not feasible** – (but it works in France, Spain, Switzerland, etc.)
3. **Too costly** – (only if poorly designed)
4. **Encourages risk-taking** i.e. moral hazard (possibly, but there are regulatory solutions)
5. **Unfair** – will disproportionally benefit wealthy homeowners (not if there are caps on compensation for losses, etc.)
6. **The NHC couldn't cope** (it will need fundamental change)

Objections to the social model

7. **Undermines private insurers** – (that has not been the case in Europe)
8. **Reduces political incentives for robust adaptation** – (possibly, but increasingly damaging events will force change)
9. **Not politically viable** – (vested interests do not always prevail)
10. **Not durable** – climate change poses existential risks (maybe, but a social model will be more resilient than the alternatives)

The future of home insurance

Conclusions

1. Climate change is a game changer for property insurance, especially SLR
2. Many policy settings need reform regardless of climate-related risks – e.g. the level of the current flat-rate levy, the regressive nature of building cover cap, etc.
3. There are many possible policy permutations and combinations, but solidarity is preferable
4. Whatever option is adopted, better risk information and risk reduction will be vital to limit future property damage and insurance costs
5. We need a proper public debate about the full range of options and their respective merits/demerits
6. Any major reforms will need cross-party support to be durable

Supplementary Slides

1. International models
2. Understanding risk
3. Affordability issues

International models

Examples of PGE cover for weather-climate-related perils include:

1. CatNat scheme (France); CCS (Spain), etc.
2. Flood Re (UK)
3. National Flood Insurance Program (US)
4. Cyclone Reinsurance Pool Corporation (Australia)

Table 1: Schemes included in comparisons

Organisation	Country/State	Acronym
California Earthquake Authority	California	CEA
Caribbean Catastrophe Risk Insurance Facility	Caribbean	CCRIF
Consorcio de Compensacion de Seguros	Spain	CCS
Earthquake Commission	New Zealand	EQC
Florida Hurricane Catastrophe Fund	Florida	FHCF
Fondo de Disastres Naturales	Mexico	FONDEN
Hawaiian Hurricane Relief Fund	Hawaii	HHRF
Iceland Catastrophe Insurance	Iceland	ICIF
Inter-cantonal Reinsurance Union	Switzerland	IRV
Japanese Earthquake Insurance/Reinsurance	Japan	JEI or JER
National Flood Insurance Program	USA	NFIP
Statens Naturskadefond	Norway	NNFNDA
Norsk Naturskadepool	Norway	NNPP
Règime Cat Nat	France	NDS
Romanian Catastrophe Insurance System	Romania	PAID
Taiwan Residential Earthquake Insurance Fund	Taiwan	TREIF
Texas Windstorm Insurance Association	Texas	TWIA
Turkey Compulsory Insurance Pool	Turkey	TCIP

Source: David Middleton, Scheme Comparisons (Kestrel Group, Wellington)

PGEs - Funding

Entity	Country/State	No Government Funding	Full Government Funding	Government Guarantee
CEA	California	✓		
CCRIF	Caribbean		✓	
CCS	Spain	✓		✓
EQC	New Zealand	✓		✓
FHCF	Florida	✓		
FONDEN	Mexico		✓	
HHRF	Hawaii	✓		
ICIF	Iceland	✓		✓[1]
IRV	Switzerland	✓		
JER	Japan	✓		✓[2]
NFIP	USA	✓		✓[3]
NNFNDA	Norway		✓	
NNPP	Norway	✓		
NDS	France	✓		✓[4]
PAID	Romania	✓		✓[5]
TREIF	Taiwan	✓		✓[6]
TWIA	Texas	✓[7]		
TCIP	Turkey	✓		✓

Source: David Middleton, Scheme Comparisons (Kestrel Group, Wellington)

PGEs - approach to risk rating

Schemes that have risk rating:

- CEA California
- CCRIF Caribbean
- FHCF Florida
- HHRF Hawaii
- IRV Switzerland
- JEI Japan
- NFIP USA
- TCIP Turkey
- TWIA Texas

Schemes without risk rating:

- CCS Spain sets rates by type of property insured[2]
- EQC New Zealand has one flat rate for both buildings and contents
- FONDEN Mexico government makes an annual budget allocation
- ICIF Iceland has one rate for personal property and one for infrastructure
- NNPP Norway has one flat rate
- NDS France charges a percentage of the policy premium
- PAID Romania has two premium rates, according to construction
- TREIF Taiwan has one premium

Source: David Middleton, Scheme Comparisons (Kestrel Group, Wellington)

Catastrophes Naturelles (CatNat) compensation scheme France

1. Three principles: solidarity, prevention, partnership
2. Three main policy elements:
   a) Collective risk pooling for most natural hazards (excluding coastal erosion, hail and snow damage)
   b) Legal requirements and incentives for adaptation by local authorities (via higher compulsory deductibles if Risk Reduction Plans are weak)
   c) National funding for adaptation projects, including planned relocation (Barnier Fund)
3. CatNat: overseen by a state-owned reinsurance company called *Caisse Centrale de Reassurance* (CCR); it provides unlimited state-guaranteed reinsurance coverage for all property-related insurance policies against natural disasters
4. Like NHC, CCR seeks to build up reserves, but unlike NHC, it does not purchase reinsurance
5. While insurance is voluntary, residential penetration rates are around 98%

Catastrophes Naturelles (CatNat) compensation scheme France

6. Insurers must provide comprehensive natural disaster cover without limits to their liability; insurers pay a premium to CCR
7. There is a separate compulsory levy or premium surcharge for natural disaster cover; it is a fixed percentage of the overall insurance premium, regardless of natural hazard risk, and is uncapped: for property insurance policies, the standard rate of 12% of the base fire rate – which is not regulated – rose to 20% in 2025, reflecting increased property damage
8. Overall premiums (including contents) for residential properties average around €300 per annum, with the premium surcharge being about €60 per annum
9. Since 1995, a supplementary levy of 12% has been applied to the surcharge – for the Barnier Fund
10. The scheme has advantages and disadvantages; it will need reform to cope with increased climate-related risks; it currently disproportionately benefits better-off property owners with at-risk coastal properties
11. The Spanish CCS scheme is similar, but provides full disaster cover for all insured properties

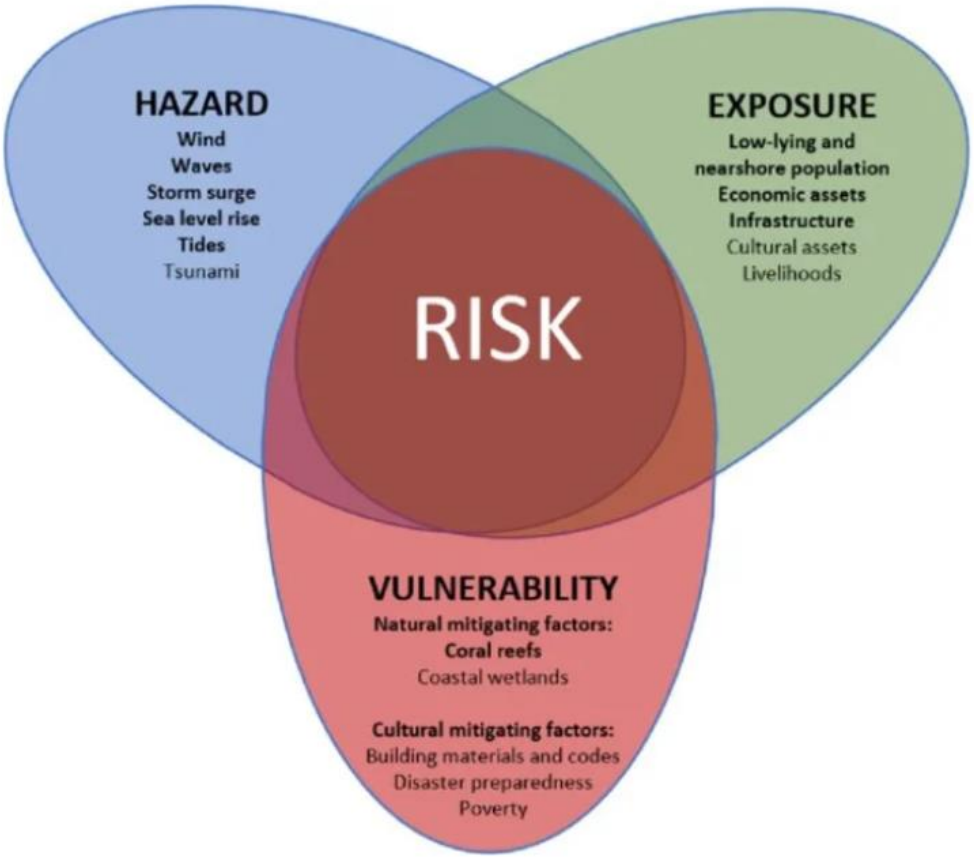
Flood Re Scheme UK (2016 - ?)

1. The Water Act 2014 sets the policy parameters
2. Flood Re = not-for-profit company, owned and managed by the insurance industry
3. Aims: make residential property insurance more affordable; manage the process to risk-rated insurance for flooding by 2039
4. Flood Re insures about 2% of UK homes (i.e. around 500,000 of about 30 million dwellings). Homes must meet various eligibility criteria to qualify for cover; those built after 1 January 2009 are ineligible
5. Subsidies for insurance premiums for eligible homeowners reflect local council tax bands; average premiums for at-risk homes are about half what they would be otherwise
6. Insurers contribute via a modest levy; contributions reflecting their market share; Flood Re underwrites the flood-risk part of an insurance policy, and buys reinsurance
7. Annual levy for 2022-25: £135 million p.a.; this adds about £10 to average residential property premiums
8. Insurers oversee the claims process and undertake repair work, they then seek reimbursement from the fund managed by Flood Re for part of the costs incurred (50%)
9. The scheme has advantages and disadvantages; unlikely to end in 2039!

The Policy Framework for Home Insurance in Aotearoa

1. Small market, concentrated, not very competitive
2. Regulatory framework – prudential supervision and conduct supervision
3. National Hazards Commission/Toka Tū Ake (NHC) (previously EQC) – Crown entity (agent)
   - Covers only dwellings that are insured, not contents or non-residential properties
   - Covers geophysical perils but not weather-related perils; covers damage to some residential land
   - First-loss cover ($300K + GST) (building cover cap)
   - Flat-rate, capped levy – 16 cents per $100 insured value up to $480 + GST
   - Administers the Natural Hazards Fund
   - Buys reinsurance
   - Provides advice on risks and resilience
   - Funds research
   - Crown guarantee
   - Not covering its long-term risks currently
   - Not responsible for funding adaptation
   - Can provide direct cover for dwellings
   - Has contracted-out claims management to private insurers

The nature of risk



Understanding Risk

Risk management framework:

1. **Risk reduction** (prevention, eliminating risks or reducing their impacts)
2. **Readiness** (disaster preparedness and awareness)
3. **Response** (actions before, during and directly after an event)
4. **Recovery** (actions to regenerate and enhance communities after an event)

Risk information and governance issues:

1. The kind of risk information that is needed
2. Where responsibility for risk governance lies
3. Ensuring adequate public funding for risk reduction, given political incentives to focus on response and recovery

Table 4.3: Median cost for home and contents insurance for a large house in six main centres, 2024 and 2025

Main centre	2024	2025	Difference
Auckland	$2863.94	$2,540.32	-$322.62
Hamilton	$2,784.30	$2,716.03	-$68.27
Tauranga	$2,826.57	$3,010.70	$184.13
Wellington	$5,067.09	$5,560.89	$493.80
Christchurch	$3,713.13	$4,098.99	$385.86
Dunedin	$2,657.35	$2,536.14	-$121.21

Source: Rebecca Styles, 'Premium puzzle: what's the cost of insuring your home?', *Consumer*,

Verdict

1. Thin analysis
2. Little supporting evidence
3. Philosophically flawed
4. Politically naïve
5. Irresponsible

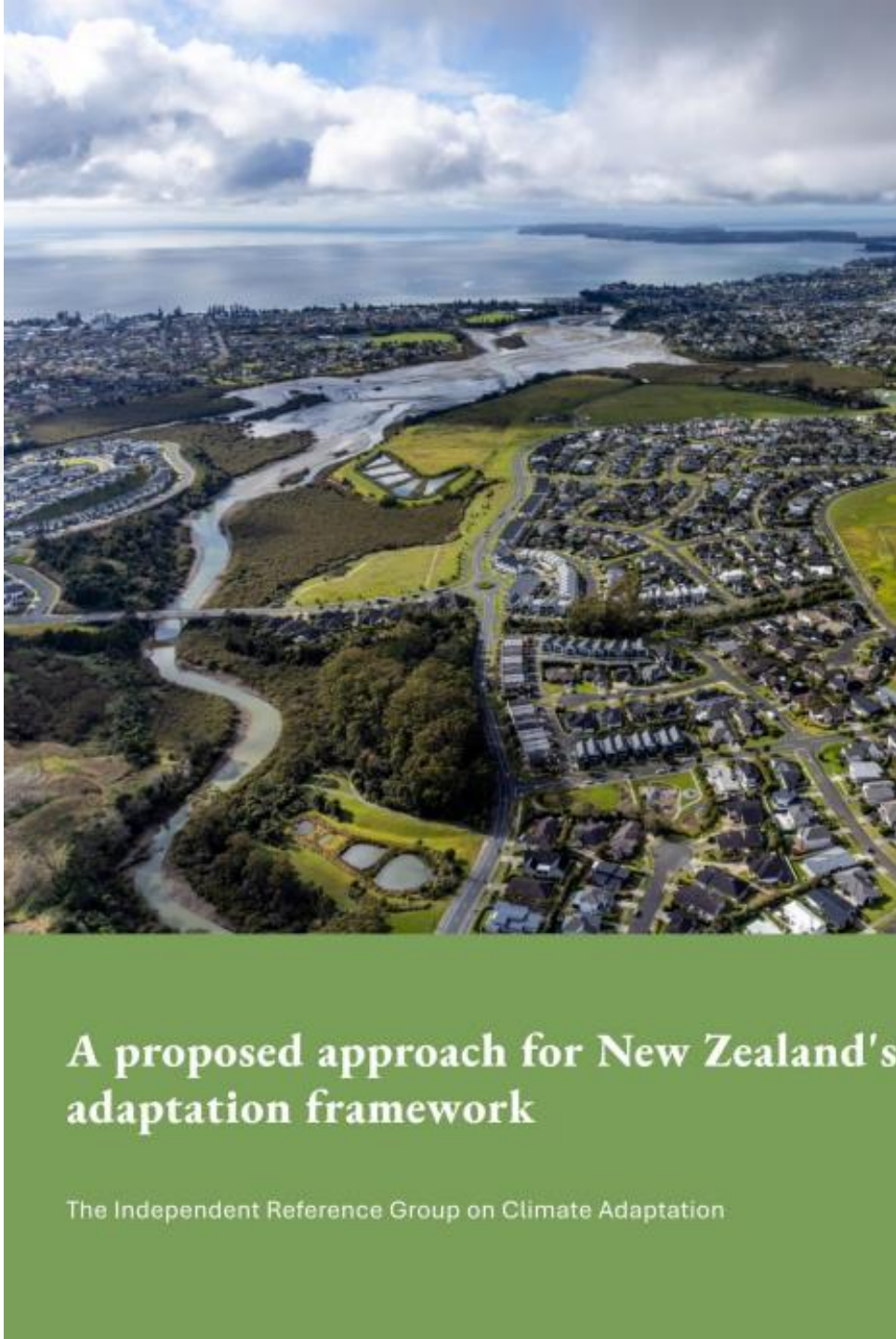


Table 4.4: An example of the components of a home insurance invoice for $2,000 in January 2024

Components	Amount	Percentage of total
Insurance premium – the amount the insurer retains	$922.40	46%
Reinsurance – the amount the insurer pays to reinsurers	$230.73	12%
Fire service levy – the amount the insurer collects and pays to FENZ	$106.00	5%
NHC levy – the amount the insurer collects and pays to NHC	$480.00	24%
GST – the amount the insurer collects and pays to Inland Revenue	$260.87	13%
Total premium	**$2,000**	

Source: ICNZ, https://icnz.org.nz/individuals/house-contents/.

Insurance affordability

1. No internationally-agreed criteria, standards or thresholds; no policy framework in Aotearoa (i.e. no definition or monitoring)
2. As with hardship and poverty measures, a range of approaches and thresholds are available; there is no single correct approach
3. Three options include:
    a. the *expenditure cap approach*: this is based on what can be regarded as a reasonable maximum expenditure on insurance (e.g. 10% of gross or net annual household income)
    b. the *residual income approach*: this is based on ensuring that households, after purchasing their insurance, are left with a minimum surplus income to meet their other needs (e.g. as assessed in relation to various poverty thresholds)
    c. the *housing cost-burden approach*: this is based on an assessment of whether the cost of housing, including insurance, is less than a certain percentage of the household's income (e.g. as assessed in relation to various poverty thresholds).

Affordability issues

Means-tested subsidies for residential insurance

1. Means-tested subsidies are currently available for home insurance premiums via the Accommodation Supplement and Temporary Additional Support (TAS), but the policy framework is very constrained
2. The current Rates Rebate Scheme provides a possible model, with subsidies based on household income, premiums, and the number of dependents
3. Any subsidy scheme raises multiple policy issues –
   - Eligibility criteria
   - Level of assistance, thresholds, and abatement regime
   - Contents?
   - Administration
   - Fiscal cost
   - Effectiveness – impact on premiums, affordability Fairness – those unable to afford insurance
   - Risks – moral hazard, etc.