



Toka Tū Ake EQC Annual Report 2021-2022

**Ko te tūāpapa e
tū pakari ai tātau,
kia ngātahi.**

The foundation from which
we stand strong, together.

Authority, period covered and copyright

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Presented to the House of Representatives pursuant to Section 150 of the Crown Entities Act 2004.

Date: October 2022



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Introduction and overview

HE KUPU WHAKATAKI

Mai te Poari - From the Board

E ngā pītau whakarei o ngā mātā waka, e ngā maunga kore nekeneke, e ngā awa whakatore taniwhā.

Ko ngā tai ō mihi ēnei e pari nai ki runga ki a tātau katoa.

Tēnā tātau katoa.

It is our privilege to present the Annual Report of Toka Tū Ake EQC for the year ended 30 June 2022.

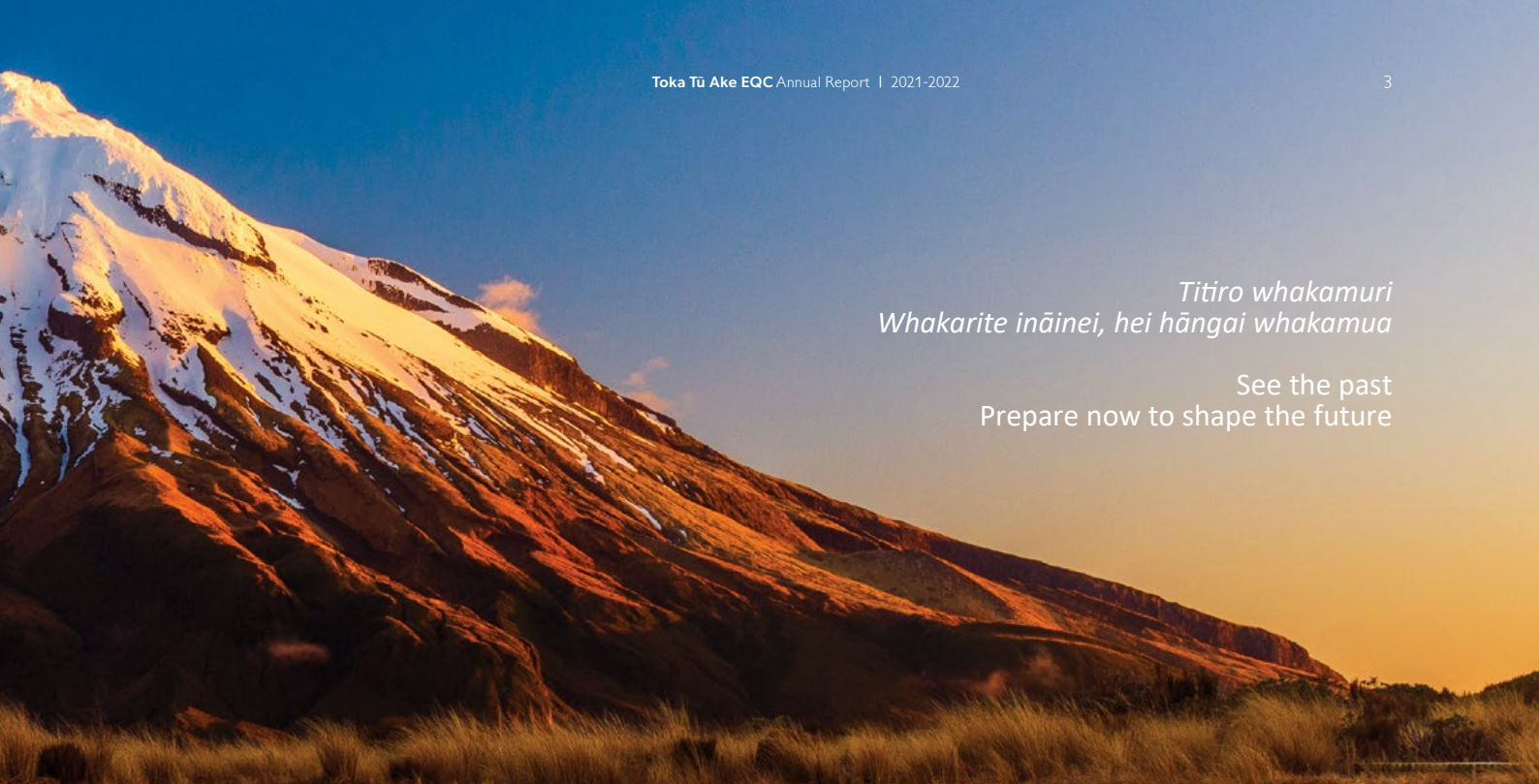
The 2021-2022 financial year was the start of a new chapter for our organisation. We implemented a new public-private claims model for homeowners, saw legislation introduced to Parliament to modernise the scheme, and adopted our new name - Toka Tū Ake EQC.

Toka Tū Ake means the foundation from which we stand strong, together. As we reflect on 2021-2022, we are proud of our work to strengthen New Zealand's resilience to natural hazard events.

A new chapter for Toka Tū Ake EQC

Our scheme exists to support homeowners to live alongside the ever-present risk of natural disasters, whether they be at a national or local level. We do this by investing in research, science, awareness, education and financial resilience before an event, and by supporting homeowners with their claims after an event. Much of our work is done in partnership with others, such as private insurers, researchers, central and local government, industry experts and reinsurers.

This past year marks the first 12 months of a new claims model we have established in partnership with eight private insurers to streamline homeowners' insurance claim experiences. In its first year 2,291 claims were managed through this new model, with 1,645 being fully resolved by 30 June 2022. Notably, as a result of several severe weather events, there was an increase in landslip, flood and storm claims compared to the previous year.



*Titiro whakamuri
Whakarite ināinei, hei hāngai whakamua*

See the past
Prepare now to shape the future

Alongside the new claims model, Toka Tū Ake EQC is continuing to settle reopened Canterbury claims, administer the Crown's On-sold programme and manage claims as agent for Southern Response Earthquake Services. Toka Tū Ake EQC in 2021-2022 assisted a total of 5,756 homeowners across these programmes.

Natural hazard research and event scenario planning underpins our preparedness activities for future events. We share our information widely and in 2021-2022 made a significant shift in translating the science we fund into formats decision-makers can use.

Toka Tū Ake EQC's new chapter is guided by the findings of the Public Inquiry into the Earthquake Commission. We have substantively implemented the majority of the Inquiry recommendations that we lead, with our new claims model addressing nearly half of these.

The Inquiry recommended we establish a community advisory group. The 2021-2022 year was the first full year our National Reference Group provided this input into our work.

Planning for the future – the foundation for a more resilient New Zealand

The scheme's financial sustainability is key to being able to pay for claims when they arise.

During 2021-2022 the balance of the Natural Disaster Fund remained steady at around \$250 million. We expect the fund will grow over the next few years. Accordingly, Toka Tū Ake EQC is developing a medium-term investment strategy for the fund.

From 1 October 2022 the scheme's first loss cover for building damage will increase from \$150,000 plus GST to \$300,000 plus GST.

This acknowledges the increasing costs of housing repairs, while still helping to keep natural hazards insurance accessible and affordable to New Zealand homeowners.

The raised building cap will increase the potential costs funded by the scheme. This will be offset by an increase in overall levy income and the continued growth of our reinsurance programme, which transfers a portion of the overall risk to offshore-based reinsurers. A record reinsurance placement of \$7.2 billion has been made for the 2022-2023 year. We expect our reinsurance programme will grow over time.

Reinsurers have confidence in Toka Tū Ake EQC as a scheme for several reasons, including our continued investment in world-class research and our growing capability in modelling New Zealand's natural peril risk. In recent years we have invested approximately \$21 million annually in science and research to better understand New Zealand's natural hazards. Data reported under our new claims model has further enhanced the information we have available to improve our understanding of the risks New Zealand homeowners face.

Farewells, welcomes and acknowledgements

In March 2022 we farewelled Sid Miller after five years as Chief Executive, and on 30 June 2022 Mary-Jane Daly stepped down as Board Chair after eight years on the Board.

In January 2022, the Board appointed Tina Mitchell as Te Tumu Whakarae – Chief Executive.

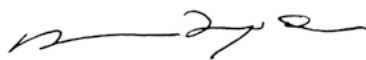
The Minister Responsible for the Earthquake Commission appointed the Hon Ruth Dyson as Board Deputy Chair and Chris Black as Board Chair in April and July 2022 respectively. The Board also welcomed Jacqui Apiata under the Future Directors development programme in December 2021, and Ziena Jalil to the Board in July 2022.

Lastly, we would like to thank the numerous partners and staff of Toka Tū Ake EQC for their tireless efforts in helping homeowners prepare for, and recover from, the impact of natural hazard events over this last year, a year that has been particularly challenging on a range of fronts. Their commitment to our purpose in coming together to support New Zealanders embodies Toka Tū Ake – the foundation from which we stand strong, together.

Nā māua nei me ngā mihi.



Chris Black
Board Chair



Ruth Dyson
Board Deputy Chair

Mai te Tumu Whakarae - From the Chief Executive

Tēnā koutou katoa i roto i ngā tini āhuatanga o te wā.

I am pleased to report we made significant progress in our strategic priorities for Recovery, Resilience, Risk financing and Readiness in 2021-2022.

The vast majority of claims from events that occurred from July 2021 are being managed through our new model with private insurers. We also directly support the small percentage of homeowners whose insurers are not participating in the model and homeowners who experienced damage from events before July 2021.

The priority for our teams is putting New Zealand homeowners at the heart of everything we do. This year we received our highest ever satisfaction ratings from Canterbury homeowners and in Kantar New Zealand's Public Service Reputation Index.

We also engage at a community level, including through our National Reference Group. This is a "network of networks" that taps into a wide range of community expertise, providing us with invaluable perspectives.

Improving our cultural capability to partner effectively with Māori and iwi is an important part of our ongoing transformation. We recognise Māori hold a wealth of knowledge about the whenua (land) and natural hazards and have expertise in caring for people and places impacted by natural hazard events. This year our Board and senior leaders completed a wānanga programme

incorporating te ao Māori perspectives and practices into the way we consider and respond to issues. Other highlights this year included receiving the GenderTick™ and commencing work to achieve the Accessibility Tick.

Achieving carbon neutrality is one of our key priorities and in 2021-2022 we began work under the Government's programme for carbon neutrality in the public sector by 2025.

We have invested in our systems, including a data hub, to ensure they are modern, efficient and secure, to improve the quality of the claims and property related data insurers now collect on our behalf. This data supports our investment in loss modelling so we can provide a 'New Zealand centric' perspective on the risks we cover. This data is critical for our activities across Recovery, Resilience, Risk financing and Readiness. Our innovation and hard work on our claims management model and data hub has been recognised with various awards throughout the year.

Our scheme reflects the fact New Zealanders have been living alongside natural hazards for hundreds of years. Communities come through times of adversity by rallying together for support. We very much value the collaboration and partnerships that unite around this common goal, creating Toka Tū Ake – the foundation from which we stand strong, together.

Noho ora mai.



Tina Mitchell
Chief Executive

He kupu whakataki, he tirohanga whānui hoki

Titiro whakamuri

Whakarite ināianei, ki te auaha i te anamata

See the past

Prepare now to shape the future

Mai i te Poari

E ngā pītau whakareia o ngā mātāwaka, e ngā maunga kore nekeneke, e ngā awa whakaterere taniwha.

Ko ngā tai o mihi ēnei e pari nei ki runga ki a tātau katoa.

Tēnā tātau katoa.

Nō mātou te hōnore ki te tāpae i te Pūrongo ā-Tau a Toka Tū Ake EQC mō te tau i mutu ai i te 30 o Pipiri 2022.

He wāhanga hou te tau o te tahua 2021-2022 mō tō mātou whakahaere. Ka whakatinanatia he tauira tūmatanui-tūmataiti hou mā ngā kaupupuri kāinga, ka kitea te tukunga o ngā ture hou ki te Pāremata hei whakahou i te kaupapa, ā, ka whakaū i tō mātou ingoa hou - Toka Tū Ake EQC.

Ko te tikanga o Toka Tū Ake ko te tūāpapa i ahu mai ai te pakari o tā tātou ahopoka. Nō mātou ka titiro whakamuri ki te tau 2021-2022, e whakahīhi ana mātou mō ā mātou nei mahi hei whakapakari i te manawaroa o Aotearoa ki ngā tūponotanga matepā taiao.

He wāhanga hou mō Toka Tū Ake EQC

E noho ana tā mātou kaupapa hei hāpai i ngā kaupupuri kāinga ki te noho tahi me te tūraru haere tonu o ngā matepā taiao, ahakoa ā-motu, ā-rohe rānei. Ka pērā mā te whakangao ki te rangahau, ki te pūtaiao, ki te mōhiotanga, ki te mātauranga me te manawaroa pūtea i mua i tētahi tūponotanga, ā, mā te tautoko i ngā kaupupuri kāinga me ā rātou kerēme ā muri i tētahi tūponotanga. Ko te nuinga o ā mātou mahi he mahi tahi me ētahi atu, pēnei i ngā kaiinīhua tūmataiti, i ngā kairangahau, i te kāwanatanga ā-motu, ā-rohe hoki, i ngā mātanga ahumahi me ngā kaiinīhua anō.

Ko tēnei tau kua pahure kei te tohu i ngā marama 12 tuatahi o tētahi tauira kerēme hou kua whakatūria, i runga i te mahi tahi, e mātou me ētahi kaiinīhua tūmataiti e waru kia koutata ai te wheako kerēme inīhua mō ngā kaupupuri kāinga. I roto i tōna tau tuatahi, i whakahaeretia ngā kerēme e 2,291 mā tēnei tauira hou, me te tutuki pai o ngā kerēme 1,645 i mua i te 30 o Hune 2022. Ina koa, nā ētahi tūponotanga huarere kino rawa atu, i nui ake ai te nama o ngā kerēme e pā ana ki ngā horowhenua, ki ngā waipuke me ngā āwhā mēnā e whakatauritea ana ki te tau o mua.

I te taha hoki o te tauira kerēme hou, kei te whakatatū tonu a Toka Tū Ake EQC i ngā kerēme Waitaha i whakatuwheratia anō, kei te whakahaere i te hōtaka a te Karauna, e kīia nei ko On-sold, me te whakahaere kerēme hei kaiwhakahaere mā Southern Response.

I te tau 2021-2022 ko te tatau o ngā kaipupuri kāinga i āwhinatia ai e Toka Tū Ake EQC ko te 5,756 mā te whānui o ēnei hōtaka.

Ko te tūāpapa o ā mātou mahi takatū mō ngā tūponotanga ā muri atu, ko te rangahau matepā taiao me te whakamahere mō ētahi tūponotanga ā muri atu. He whānui te tiritiri o ā mātou mōhiohio, ā, i te tau 2021-2022, ko te panonitanga nui a mātou ko te whakawhiti i te pūtaiao, i utua e mātou, ki ngā whakatakoto e taea ai te whakamahi e ngā kaiwhakatau.

E arahina ana te wāhanga hou o Toka Tū Ake EQC e ngā kitenga o te Uiuinga Tūmatanui ki te Kōmihana Rūwhenua. Kua kaha whakatinanatia e mātou te nuinga o ngā tūtohu o te uiuinga e arahina nei e mātou, ā, kua ea tata ki te hāwhe o ēnei i tā mātou tauira kerēme hou.

I tūtohu te Uiuinga kia whakatūria e mātou tētahi rōpū tohutohu ā-hapori. Ko te tau 2021-2022 te tau tuatahi i tuku kōrero ai tā mātou National Reference Group ki tā mātou mahi.

Te whakamahere mō anamata - te tūāpapa o tētahi Aotearoa manawaroa ake

He mea hirahira te toitū pūtea o te kaupapa kia taea ai te utu ngā kerēme ina puta ake.

I te tau 2021-2022 ka noho tuwhena te Pūtea Parekura Taiao i te āhua e \$250 miriona. Ko te matapae, ka tupu ake te pūtea i ngā tau torotoru e haere ake nei. Heoi anō, e whakaahu ana a Toka Tū

Ake EQC i tētahi rautaki whakangao pae waenga mō te pūtea.

Mai i te 1 o Oketopa 2022 ka piki ake tā te kaupapa kapi mō te ngaromanga tuatahi e pā ana ki te whakakino whare mai i te \$150,000 me te tāke hokohoko ki te \$300,000 me te tāke hokohoko. Ka tūtohu tēnei i te nui haere o ngā utu mō te whakatikatika whare, ā, waihoki e āwhina tonu ana tēra kia noho te inihua matepā taiao hei mea e āhei ana ki, e taea ai hoki te utu, e ngā kaipupuri kāinga o Aotearoa.

Nā te pikinga o te mōrahi o te pūtea ā-whare ka piki ake ngā utu pea i utua e te kaupapa. E whakautua ana tēnei e te pikinga o te whiwhinga moni whānui me te tupu tonu o tā mātou hōtaka inihua anō, ko tērā te huarahi hei whakawhiti i tētahi wāhanga o te tūraru whānui ki ngā kaiinihua anō nō rāwahi. Kua mahia he whakanohonoho inihua anō nui whakaharahara i te tau 2022-2023, e \$7.2 piriona te rahi, ā, ko te matapae ka tupu ake tērā ā tōna wā.

E whakamanawa ana ngā kaiinihua anō ki Toka Tū Ake EQC hei kaupapa nā ētahi take, tae ana ki tā matou whakangao e haere tonu ana i te rangahau kounga tiketike ā-ao me tō mātou āheinga e tupu ake ana ki te whakatauira i te tūraru matepā taiao o Aotearoa. I ngā tau kua pahure ake nei kua whakangaoitia e mātou kei te āhua e \$21 miriona ia tau ki te pūtaiao me te rangahau kia pai ake ai te māramatanga mō ngā matepā taiao o Aotearoa. Nā ngā raraunga i pūrongotia ai i raro i tā mātou tauira kerēme hou, kua whakahaumakotia

te mōhiohio e wātea ana ki a mātou kia whakapaitia ake ai tō mātou māramatanga ki ngā tūraru kei mua i te aroaro o ngā kaipupuri kāinga o Aotearoa.

Ngā poroaki, ngā maioha me ngā mihi

I te marama o Maehe ka poroakitia a Sid Miller i muri i ōna tau e rima hei Tumu Whakarae, ā, i te 30 o Hune 2022 ka tuku a Mary-Jane Daly i muri i ngā tau e waru hei mema Poari. Ko Sid rāua tahi ko Mary-Jane he tāngata whai tikanga mō te whakatakoto o te tūāpapa o tēnei wāhanga hou, ā, e rere ana ngā mihi i tā rāua mahi whaipainga.

I te Hanuere 2022, ka kopoua a Tina Mitchell e te Poari hei Tumu Whakarae.

I kopoua e te Minita mō te Komihana Rū a te Hōnore Ruth Dyson hei Heamana Tuarua o te Poari i te marama o Āperira, ā, a Chris

Black hei Heamana o te Poari i te marama o Hūrae 2022. Ka pōwhiritia hoki a Jacqui Apiata e te Poari i raro i te hōtaka whanake e kīia nei ko Future Directors i te marama o Tīhema 2021, ā, a Ziena Jalil ki te Poari i te marama o Hūrae 2022.

Hei whakakapi, me mihi atu ka tika ki te maha o ngā hoa pātui, ki ngā kaimahi a Toka Tū Ake EQC mō ā rātou whakapau kaha pūtohe hei āwhina i ngā kaipupuri kāinga kia noho takatū rātou mō, ki te whakaora hoki i, te pānga mai o ngā tūponotanga matepā taiao i roto i tēnei tau kua pahure, arā he tau i takoto ai te mānuka i te whānuitanga o ngā wāhi. Ko tō rātou manawanui ki tō mātou whāinga, arā ko te mahi tahi hei hāpai i ngā tāngata o Aotearoa, kei te whakatinana tērā i Toka Tū Ake EQC - ko te tūāpapa i ahu mai ai te pakari o tā tātou ahopoka.

Nā māua nei me ngā mihi.



Chris Black
Heamana o te Poari



Ruth Dyson
Heamana Tuarua o te Poari

Mai i te Tumu Whakarae

Tēnā koutou katoa i roto i ngā tini āhuatanga o te wā

E harikoa ana au ki te whāki he hirahira te haeretanga whakamua o ō mātou whāinga matua ā-rautaki i te tau 2021-2022 e pā ana ki te Whakaora, ki te Manawaroa, ki te Utu ā-Tūraru me te Takatūranga.

Kei te whakahaeretia te nuinga tonu o ngā kerēme i ngā tūponotanga i puta ai mai i te Hūrae 2021 mā runga i tā mātou tauira hou i te taha o ngā kaiinihua tūmataiti. Waihoki, ka hāpai tōtika mātou i te ōrau iti noa o ngā kaipupuri kāinga kāore ō rātou kaiinihua e whai wāhi ana ki te tauira, me ngā kaipupuri kāinga i pāngia mai e te whakakino mai i ngā tūponotanga i mua i te marama o Hūrae 2021.

Ko te whāinga matua o ā mātou rōpū he whakanoho i ngā kaipupuri kāinga o Aotearoa ki te pokapū o ā mātou mahi katoa. I tēnei tau kua whiwhi mātou i ngā whakatauranga oranga ngākau nui katoa ā mohoa nei mai i ngā kaipupuri kāinga o Waitaha, ā, i roto i te Kantar New Zealand's Public Service Reputation Index.

E whai wāhi ana hoki mātou ki te hapori, tae ana ki te mahi a tō tātou nei National Reference Group. He "kōtuinga o ngā kōtuinga" tēnei, e toro atu ana ki te whānui o ngā pūkenga ā-hapori, e whakarato ana ki a mātou he tirohanga kāmehameha.

Ko te whakapai ake i tō mātou āheinga ā-ahurea he wāhanga nui o tā mātou huringa e haere tonu ana. E mōhio ana mātou he nui te mātauranga e puritia nei e ngāi Māori mō te whenua me ngā matepā taiao, ā, he pūkenga nō rātou mō te tiaki tangata, mō te tiaki takiwā i pāngia mai e ngā tūponotanga matepā taiao. I tēnei tau i oti i tō mātou Poari me ngā kaihautū matua tētahi wānanga e whakauru ana i ngā tirohanga Māori me ngā tikanga Māori ki roto i tō mātou whakaaroarotanga mō, ki roto hoki i tā mātou urupare ki ngā take. Ko ētahi atu kaupapa e tāpua ana i tēnei tau ko te whiwhinga o te GenderTick™ me te tīmatatanga o te mahi kia tutuki ai te Accessibility Tick.

Ko te tutuki o te tukuwaro-kore ko tētahi o ō mātou whāinga matua, ā, i te tau 2021-2022 ka tīmata mātou ki te mahi i raro i te hōtaka nā te Kāwanatanga e whai ana i te tukuwaro-kore i roto i te rāngai tūmatanui i mua i te tau 2025.

Kua whakangao mātou ki ā mātou pūnaha kia whakaritea ai he mea hou, he mea pai, he whakahaumarua hoki tae atu ki tētahi pokapū raraunga hei whakapai ake i te kounga o ngā raraunga ā-kerēme, ā-rawa hoki e kohikohia nei ināianei e ngā kaiinīhua mā mātou. E tautoko ana ēnei raraunga i ā mātou whakangao mō te whakatauiria ā-ngaromanga kia taea ai e mātou te tuku he tirohanga 'nō Aotearoa motuhake' ki ngā tūraru e kapi ana i a mātou. He mea nui taioeore ēnei raraunga mō ā mātou mahi e pā ana ki te Whakaora, ki te Manawaroa, ki te Utu ā-Tūraru me te Takatūranga. Kua whakawhiwhia e Toka Tū Ake EQC ētahi whakawhiwhinga i te roanga o te tau e whakamihi ana ki te auahatanga i roto i tā mātou tauira whakahaere kerēme hou me te pokapū raraunga.

E whakaatu ana tā mātou kaupapa i te meka, kua hia nei ngā rautau ko ngā tāngata o Aotearoa e noho tahi ana ki ngā matepā taiao. Ka puta te ihu o ngā hapori i ngā wā poautinitini mā te tautoko i a rātou anō. E kaingākaunui ana mātou i te mahi tahitanga me ngā hononga e paihere nei ki te whai i tēnei whāinga kotahi, arā ko te whakatūria o Toka Tū Ake - ko te tūāpapa i ahu mai ai te pakari o tā tātou ahopoka.

Noho ora mai.



Tina Mitchell
Tumu Whakarae

Our new name

Toka Tū Ake EQC—the foundation from which we stand strong, together.

Toka

(noun) rock, large stone, boulder

Tū

(verb) to stand, take place, set in place, establish

Ake

(particle) to raise upwards

We have adopted a new name to better represent the role our scheme plays in supporting New Zealanders.

Our organisation is well known for providing insurance for earthquake damage to residential property (buildings and land). But we cover more than that. We also provide homeowners with support for damage caused by volcanic eruptions, tsunamis, hydrothermal activity, floods, storms and landslips.

Our scheme is unique in the world in that as far as we know, we are the only insurance scheme that covers both residential buildings and residential land.

We also do more than insurance. We invest significant amounts into science, research, loss modelling and education to ensure New Zealanders understand the forces that make our country beautiful, but risky.

Our name change was prompted by a recommendation from the Public Inquiry into the Earthquake Commission. Dame Silvia Cartwright recommended we consider how the name of our legislation can better reflect the scope of the scheme which extends beyond earthquakes to deliver insurance and expertise for other natural hazards.

When the Natural Hazards Act comes into force, we will take the name Toka Tū Ake Natural Hazards Commission. We are taking a phased approach with our name transition to allow us, our stakeholders and those we serve to build familiarity with Toka Tū Ake during the transition period.

In this first step, we have adopted Toka Tū Ake into our EQC identity and will be taking simple – but visible – steps to incorporate this in our materials and interactions. As a second step, we will move to Toka Tū Ake Natural Hazards Commission. Throughout this time, and until the Natural Hazards Act comes into force, our legal name remains the Earthquake Commission.

New Zealanders are familiar with natural hazards and have passed on knowledge about early signs and support systems between generations. This knowledge is the ‘toka’ that we now rely on to be prepared and respond well to times of adversity.

Our new name reflects the whakapapa (lineage) and inter-generational mātauranga (knowledge) of our country, including the deep connection between our people and the whenua (land).

This is what Toka Tū Ake represents. It is the foundation from which we stand strong, together.

Our waiata

To mark the significant milestone of our new name, Toka Tū Ake EQC was gifted a new waiata (song). Written by Matt Gifford (Ngāti Kahungunu ki Te Wairoa, Ngāi Tūhoe, Tongareva), the waiata speaks to the te ao Māori pūrākau (story) of Rūaumoko, (the god of earthquakes, volcanoes and geothermal activity) and our role as Toka Tū Ake EQC in supporting communities when Rūaumoko is active.

The waiata is a conversation between Ranginui, sky father, and Papatūānuku, earth mother, about their youngest child Rūaumoko. While the pūrākau varies between iwi and hapū, this waiata tells the story of Rūaumoko being held in a tight embrace at his mother's chest when his parents were separated by other gods. His movements that disturb the land are made as he is held by his mother.

The waiata acknowledges that the human response to activity from natural forces should be love and care, protection and support.

**Kia tū tonu, kia tū kotahi
Ko te toka, toka tū ake**

**Maranga ake rā e taku tau (e taku tau)
Te roimata, te aroha
Kei tō uma,
ko te pōtiki
Ko Rūaumoko e
Rū ana koe, rū ana koe**

**Āwhinatia rā, manaakitia rā
Hei tohu aroha**

**Kia tū tonu, kia tū kotahi
Ko te toka, toka tū ake.**

**Let us stand strong, together as one
For we are the Toka, the Toka Tū Ake**

**Awaken, oh my love (my dear love)
Feel my tears, and my love
For in your bosom
Lies our youngest child Rūaumoko**

**And Rūaumoko, when you awaken
And when you shake and quiver**

**Papatūānuku will hold you tighter, love
you stronger**

As an expression of our love for you

**So stand strong, stand together
Toka Tū Ake.**

Toka Tū Ake EQC waiata and lyrics composed by
Matthew Gifford, 2022

At a glance—overview of 2021-2022

We implemented our new claims model providing homeowners with a streamlined claims experience across their public and private insurance needs. The model has now completed its first 12 month claims cycle and expands the capacity for us to respond as an insurance system.

It was a quieter than average year for claim numbers, but the type of claim changed. We saw more floods and landslips which meant there was a higher proportion of landslip, flood and storm claims than previous years.

Despite the COVID-19 pandemic we continued providing uninterrupted services to New Zealand homeowners and supported our insurer partners by using flexible working arrangements and risk controls to keep our staff, insurance partners and customers safe.

Our support for Canterbury homeowners remained steadfast. We settled a total of 5,756 claims across all categories of Canterbury claims (Toka Tū Ake EQC claims, the Crown's On-sold programme and Southern Response Earthquake Services claims). We settled 92% of Canterbury claims that were older than six months as at the end of June 2021 and reduced the number of claims in litigation by 50%. The majority of incoming claims, 86%, were closed within six months.

We made a strong start to building our capability in te ao Māori and Māori-Crown relations and began implementing our Whāinga Amorangi organisational plans for 2021-2022, which were submitted to Te Arawhiti.

We invested approximately \$21 million into natural hazards research, science and public education to reduce the impact of natural hazards on people and property.

We grew our international reinsurance programme by securing a record level of \$7.2 billion for the 2022-2023 financial year to support affordable insurance for New Zealand homeowners.

We worked closely with our insurance partners and community groups to develop initial response plans for potential earthquake scenarios in Hawke's Bay and the Alpine Fault.

We invested in new technology to optimise our key IT systems, which are now cloud-based, improving our information security and resilience.

We completed the vast majority of the recommendations allocated to Toka Tū Ake EQC from the Public Inquiry into the Earthquake Commission.

We worked closely with the Government to assist the drafting of the Natural Hazards Insurance Bill introduced to Parliament in March 2022.

Our Minister appointed Chris Black as our new Board Chair and Ruth Dyson as Deputy Chair. The Board appointed Tina Mitchell as our new Chief Executive.

Awards and recognition

We're proud of the work we do for New Zealand, and the awards and recognition we received in 2021-2022 that celebrated our people, work and partnerships.

Digital innovation and our new claims model

Our world-first claims model is data centric and collaborative, enabling the flow of data between Toka Tū Ake EQC and our insurer partners. Digital innovation supports the model to deliver at scale and speed for customers and insurers. Our innovative approach was recognised at:

The International Data Corporation (IDC) New Zealand and Australia Future Enterprise Awards (October 2021)

Won

Overall 2021 Future Enterprise of the Year

Won

Best in Future of Industry Ecosystems

Finalist

Future of Customers and Consumers category, Future of Operations category, Future of Trust category and best in Future of Digital Infrastructure category

IDC Asia/Pacific Future Enterprise Awards (October 2021)

Won

Best in Future of Industry Ecosystems

The New Zealand CIO Awards (March 2022)

Won

Business Transformation through Digital and IT

The Risk Excellence Awards (March 2022)

Finalist

Risk Initiative of the Year, for our work on our new claims model's quality assurance system

Vision and leadership

The vision and leadership of our former Chief Executive, Sid Miller, during our work to design and embed our new claims model was also recognised at:

The New Zealand Insurance Industry Awards (November 2021) where Sid shared the Insurance Leader of the Year award with Jimmy Higgins and Campbell Mitchell from Vero and Blair Williams from IAG, whose teams worked closely with Toka Tū Ake EQC to implement the model.

Prompting preparedness action

As part of our public education role, we delivered an *'After Quake - Double Take'* campaign that uses the moments just after a quake to prompt preparedness action in the home. Developed by advertising agency VMLY&R and launched in July 2021, the campaign won at the:

New Zealand Axis Awards (March 2022)

Gold

Use of Data in Digital

Silver

Creative Use of Data in Direct

Bronze

Direct Digital and Direct Campaign

Bronze

Creative Use of Media – Integrated

Supporting our people

Our support for a staff member who is a New Zealand Defence Force member was recognised at the:

Minister of Defence Awards for Excellence (March 2022)

Finalist

Reservist Employer of the Year Award



At a glance—financial overview

In 2021-2022, Toka Tū Ake EQC received funding from:

Premium income | This comes from insured homeowners and is paid to Toka Tū Ake EQC via private insurers.

**\$528
million**

Reinsurance claims | In 2021-2022, the amount we received in reinsurance payments was

**\$48
million**

As a result

The **Reinsurance programme** grew to

**\$7.2
billion**

As a result

The **Natural Disaster Fund** remained steady at around

**\$250
million**

In 2021-2022, Toka Tū Ake EQC paid out funding to:

Claims | Cash paid on claim settlements and handling costs throughout the year was **\$251 million**

Crown Guarantee fee | Payment to the Crown was **\$10 million**

Reinsurance | the cost of purchasing reinsurance was **\$217 million**

Operating expenses | covering future event preparation, event response and other operating expenses was **\$111 million**

Who we are and what we do

Role and purpose

We are governed by legislation, with our roles and functions outlined in the Earthquake Commission Act 1993 (EQC Act).

These key functions are to:

- provide natural hazard insurance for residential property (residential buildings and residential land) and collect the premiums payable for the insurance provided. Most New Zealand residential property owners have this cover, which is subject to the maximum amounts payable and excesses set out in the EQC Act
- administer the Natural Disaster Fund, into which premiums are paid, including managing its investments and obtaining reinsurance
- facilitate research and education on natural hazards, including ways of reducing risk and building resilience before natural hazard events happen
- undertake additional functions specified in legislation or conferred by our Minister.

Our strategic framework

Our strategic direction through to 2025 is set out in our *Statement of Intent 2021-2025*:

- Our enduring vision is “to be the world’s leading national natural disaster insurance scheme”
- Our mission is “to reduce the impact on people and property when natural disasters occur”.

Alongside our *Statement of Intent*, our *Statement of Performance Expectations 2021-2022* established the priorities for the 2021-2022 year and measures to assess our performance. These measures were grouped within four output classes:

- **Recovery** (after an event)
- **Resilience**
- **Risk financing**
- **Readiness** (for an event).

By using a consistent strategic framework over time, we can track how these output classes support us to achieve our strategic intentions and outcomes and, ultimately, deliver on our mission and vision.

This report describes our performance for 2021-2022 against the measures in the four output classes.

VISION

To be the world's leading national natural disaster insurance scheme



MISSION

To reduce the impact on people and property when natural disasters occur



STRATEGIC OUTCOMES

We help New Zealanders to recover after a natural disaster

We collaborate and share information about natural hazards with New Zealanders and other agencies

We manage the Toka Tū Ake EQC scheme so financial resources are available to meet people's claims when they fall due

Toka Tū Ake EQC and its partners are ready to support impacted communities when a natural disaster strikes

STRATEGIC INTENTIONS

Claims made to the Toka Tū Ake EQC scheme are managed fairly, transparently, responsively and in a timely manner

Be a leader in natural hazard risk reduction based on credible research, data, education and strong stakeholder relationships

Increase financial sustainability of the Toka Tū Ake EQC scheme by balancing investment in reinsurance capacity, strategic initiatives and rebuilding the NDF

Establish, test and improve the readiness of Toka Tū Ake EQC for natural disasters

OUTPUT CLASSES

Recovery

Increasing resilience

Risk financing

Readiness for an event

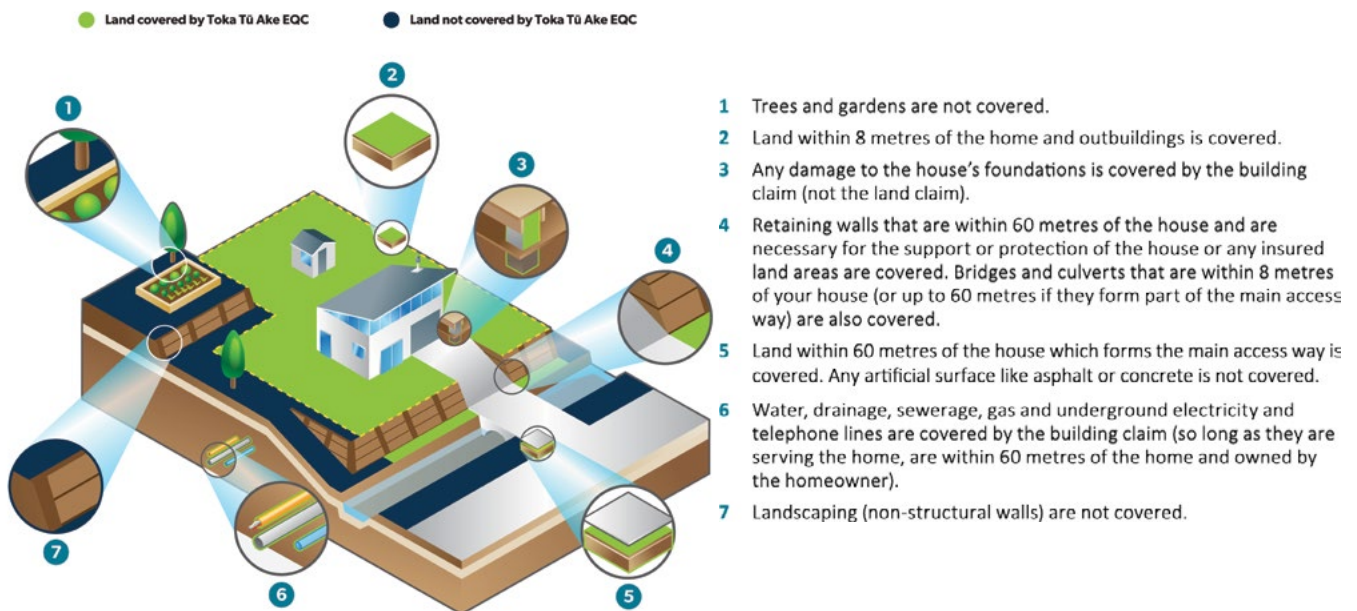
What this means for homeowners

Everyone with private home insurance with fire cover automatically pays the EQC premium and is provided with EQCover. This gives first loss cover up to the maximum amounts set out in our legislation for loss or damage from earthquakes, volcanic eruptions, landslips, hydrothermal activity, tsunami and natural disaster fire. We also cover land damage from storms and floods.

Under our new claims model, customers lodge a claim for EQCover directly through their private insurer, so they have one point of contact. We have done this to make it as easy as possible for homeowners when they are recovering from a natural hazard event.

The private insurer then provides customers with residential dwelling cover above the EQCover cap as set out in their policy document. Whether damage is to the customer's building, land, or both, and regardless of whether the cost is likely to be below or above the EQCover cap, customers should contact their private insurers to make an EQCover claim.

The diagram below summarises the land and structures we cover for storms and other natural hazard events.



For more information and to use an interactive version of this image, go to www.eqc.govt.nz/land-cover

Statement of Performance

NGĀ TAKE NUI ME Ā MĀTAU WHAKATUTUKITANGA

Our areas of focus and what we have achieved

This section provides our performance results for the 2021-2022 year. Our results are categorised into the four essential functions we deliver for New Zealanders: Recovery, Resilience, Risk financing and Readiness.

Our performance highlights are:

Recovery: resolving Canterbury claims and claims from across New Zealand, which resulted in:

- A total of 5,756 claims settled across all categories of Canterbury claims (Toka Tū Ake EQC claims, the Crown's On-sold programme and Southern Response Earthquake Services claims).
- The recording of the highest ever customer satisfaction results for Canterbury claims.

- A total of 2,291 claims lodged through private insurers under the new claims model, helping New Zealanders recover following earthquake and storm events throughout the year.

Resilience: investment in data, science and research, loss modelling and public education, which supports risk-informed decision-making, including:

- We transitioned to a new loss modelling platform, PRUE, which we use to assess natural hazard impact and financial exposure. PRUE is based on GNS Science and NIWA's sophisticated risk modelling tool RiskScape®.
- We scored well in independent surveys for our education campaigns on natural hazards, which included our award-winning 'After Quake – Double Take' campaign.



- We awarded \$1 million across 13 teams as part of our Biennial research grants. This included more participation from Māori and early career researchers. These allocations mean we will have diverse knowledge and voices informing readiness plans so we can all respond to the challenges of living in a dynamic country.

Risk financing: ensuring the scheme has the financial resources to meet claims through continued growth in our reinsurance programme and building of the Natural Disaster Fund (NDF), including:

- We secured a record level of reinsurance of \$7.2 billion for the 2022-2023 financial year from the international market.
- We maintained the NDF at around \$250 million, ahead of anticipated growth from an increase to EQCover from 1 October 2022.

Readiness: ensuring our claims model with insurers provides a streamlined customer service and testing our preparedness for future events, including:

- We completed the first 12 months of the model in partnership with private insurers. Under this model we settled over 1,600 claims from across the country.
- We developed two event strategies based on credible scenarios of a Hawke's Bay 7.6 magnitude earthquake and an Alpine Fault magnitude 8.3 earthquake. These strategies were co-designed with the insurance industry to respond to likely residential insurance needs in the first 30 days after an event. We also established and grew key relationships with the response and recovery sectors to continue refining the strategies.

First year of our new claims model

Our new claims model went live in June 2021, giving the vast majority of homeowners a streamlined claims experience when their home or land is damaged by a natural hazard event.

Under the model, we have partnered with eight private insurance companies, representing more than 20 insurance brands, to simplify the claims process. Insurers now manage customers' EQCover claims for us, as well as any private insurance claims. These insurers cover 99% of the residential insurance market. Toka Tū Ake EQC continues to directly manage claims from the remaining 1% of the market.

The companies participating in the model, and some of their brands and partners are:

- AA Insurance
- Chubb
- FMG
- Hollard Insurance Company operating as Ando
- IAG operating as AMI, State, NZI and Lantern
- MAS
- Tower
- Vero.

This model is designed to make things easier and improve outcomes for customers.

One point of contact for claims management gives customers simplicity and certainty.

The new model requires collaboration and co-operation on many aspects including data sharing, customer communications and event readiness.

Insurers and Toka Tū Ake EQC are working together to ensure customers are clear about the steps in the claims process. We want customers to be confident about the claims service their insurer will provide.

While 2021-2022 was a quieter than usual year for claims, the type of claims were different to the average. Of 2,291 claims received, 76% were for landslip, storm and flood damage, compared with 31% in 2020-2021.

The storm and flood claims, and the majority of landslip claims, were for damage to land. As land claims are unique to our scheme, private insurers did not have prior experience with them. We have worked closely with our insurer partners to increase their residential land cover knowledge and expertise.

The higher than usual proportion of land claims and the resourcing impacts of the COVID-19 outbreak are reflected in our not achieving all our performance measures for timeliness and customer satisfaction.

The progress we have made, together with the commitment of our insurer partners, is expected to lead to improved performance and customer experience in future years. The experiences of the past 12 months will help us embed the claims model to achieve greater efficiency and effectiveness.

How Toka Tū Ake EQC performed—Recovery

What we sought to achieve in 2021-2022

Our strategic outcome for Recovery is to help New Zealanders recover after a natural disaster, with a focus on the way claims are managed after an event.

The quicker customers can recover following a natural hazard event, the sooner they can resume their normal lives.

Toka Tū Ake EQC must apply the EQCover scheme fairly, meeting the interests of claimants within the boundaries of the EQC Act.

Under the Toka Tū Ake EQC Customer Code, which is consistent with the Fair Insurance Code followed by private insurers, we aim for all claims to be dealt with fairly, transparently, responsively and in a timely manner.

Our performance for our Recovery output classes

This year's results are in the tables below.

● Achieved ● Not Achieved

Settlement of 2010-2011 Canterbury earthquake sequence remedial claims (2021-2022 Output One)

Measure	2020-2021 performance	2021-2022 target	2021-2022 performance (as at 30 June)
Timeliness			
Outstanding claims over six months old, on hand at 30 June 2021, are settled by 30 June 2022	85%	≥75%	92% ●
New claims opened or reopened ¹ between 1 January 2021 and 31 December 2021 are resolved within 6 months ²	74%	≥80%	86% ●

- 1 The open claim has been resolved (closed) from the perspective of the business (Toka Tū Ake EQC). An open claim may be classified as resolved where the customer has been asked to provide further information related to their claim (over a period) that has not occurred. This approach is consistent with that taken by the private insurers. To count as reopened, Toka Tū Ake EQC needs to have triaged the request and accepted the possibility of further activity being required.
- 2 Does not include claims in litigation or where a customer appoints a third party to represent them.

Settlement of 2010-2011 Canterbury earthquake sequence remedial claims continued

Measure	2020-2021 performance	2021-2022 target	2021-2022 performance (as at 30 June)
Timeliness			
The on-sold ex gratia package is administered in accordance with the On-Sold Canterbury Properties Services Agreement ³	New measure	100%	100% ●
Claims managed on behalf of Southern Response are managed in accordance with the Agreement Relating to Management of Outstanding Canterbury Claims between Toka Tū Ake EQC and Southern Response ⁴	New measure	100%	100% ●
Customer Focus⁵			
More than 50% of surveyed customers are satisfied with their overall claims experience	53%	>50%	65% ●
<i>Reflecting on their most recent experience</i>			
More than 70% of surveyed customers agree or agree strongly that Toka Tū Ake EQC was transparent and fair in all interactions	76%	>70%	79% ●
More than 70% of surveyed customers agree or agree strongly that Toka Tū Ake EQC was responsive to their individual needs and situation during their recent claim experience	76%	>70%	78% ●
More than 70% of surveyed customers indicate that all communications from Toka Tū Ake EQC were clear and concise, and that they were clear on next steps for their claim	73%	>70%	76% ●

3 Toka Tū Ake EQC must meet four key performance measures on:

- Timeliness of initial contact with the applicant
- Timeliness of conveying the decision on the outcome of the application to the applicant
- Reporting to the Treasury
- Assessment of ex gratia payment applications and conveying the decision of the application to the applicant.

4 Under clause 6.6 of the Agreement relating to management of outstanding Southern Response earthquake claims, EQC must obtain Southern Response's written agreement prior to proceeding, where the Settlement Sum or Repair or Rebuild Sum exceeds the Cap by more than \$50,000.

5 The data comes from the customer satisfaction survey that TNS Kantar undertakes on our behalf each month. This section also summarises the volume of customer contacts by phone, email and post.

Settlement of 2010-2011 Canterbury earthquake sequence remedial claims continued

Measure	2020-2021 performance	2021-2022 target	2021-2022 performance (as at 30 June)
Customer Focus			
More than 70% of surveyed customers agree or strongly agree that Toka Tū Ake EQC acted as experts with the skills, knowledge and desire to help them	74%	>70%	77% ●
Timeliness of complaints resolution: 90% of complaints resolved in 60 days ⁶	98%	>90%	90% ●
Toka Tū Ake EQC settlements should be enduring. Fewer than 10% of claims settled are reopened within six months ⁷	12%	<10%	2% ●

Claims related to natural disaster events (excluding Canterbury) (2021-2022 Output One)

Timeliness*			
Claims lodged between 1 January 2021 and 31 December 2021 are resolved within six months	97%	≥90%	90% ●
Claims that have not been settled within six months of lodgement are settled within 90 working days of the assessment phase being completed	98%	≥90%	82% ●
Customer Focus**			
More than 70% of surveyed customers are satisfied with their overall claims experience	69%	>70%	63% ●
More than 70% of surveyed customers agree or agree strongly that Toka Tū Ake EQC (or its partner) was transparent and fair in all interactions	69%	>70%	56% ●

* Refer to page 28 for an explanation why one Timeliness measure was not achieved.

** Refer to pages 22 and 29 for explanations why five Customer Focus measures were not achieved.

6 Previously this measure was broken down into three categories depending on claim complexity.

7 This will not include claims re-opened for purposes such as minor works or for making a payment or insurer facilitation.

Claims related to natural disaster events (excluding Canterbury) (2021-2022 Output One)
continued

Measure	2020-2021 performance	2021-2022 target	2021-2022 performance (as at 30 June)
Customer Focus			
More than 70% of surveyed customers agree or agree strongly that Toka Tū Ake EQC (or its partner) was responsive to their individual needs and situation during their recent claim experience	67%	>70%	60% ●
More than 70% of surveyed customers indicate that all communications from Toka Tū Ake EQC (or its partner) were clear and concise, and that they were clear on next steps for their claim	78%	>70%	69% ●
More than 70% of surveyed customers agree or strongly agree that Toka Tū Ake EQC (or its partner) acted as experts with the skills, knowledge and desire to help them	76%	>70%	67% ●
Timeliness of complaints resolution: 90% of complaints resolved in 60 days or within such longer period as the complainant and private insurer agree ⁸	New measure	>90%	95% ●
Toka Tū Ake EQC settlements should be enduring. Fewer than 10% of claims settled are reopened within six months ⁹	4%	<10%	4% ●
Quantity			
The ratio of claims handling expense to settlement cost for the period is less than the ratio set by the Board	New measure	Less than Board-approved ratio ¹⁰	Achieved ●

⁸ Excludes complaints that fall into the external dispute resolution process.

⁹ Measure excludes administrative reopens.

¹⁰ Our target cannot be published due to commercial sensitivity.

How we achieved these results

A focus on resolving Canterbury claims

While we are implementing new systems and capabilities to serve customers in the future, throughout the year we continued to manage claims from events prior to mid-2021. The majority of these were Canterbury earthquake sequence claims.

As Toka Tū Ake EQC has completed a first-time settlement on all properties that had claims made against them following the Canterbury earthquakes, the reopened claims we have seen throughout the past year continued to mainly reflect newly discovered damage.

On average we received 370 claims per month, and on average closed 400 claims per month, with the overall net result being that claim numbers have continued to reduce during the year.

This included working hard to resolve complex claims impacted by COVID-19 lockdowns and the construction market supply issues to ensure as timely an outcome as possible for customers. At 30 June 2022 we were managing 800 claims, representing approximately 0.4% of the properties originally impacted by the quakes. We are pleased that, through our sustained focus throughout the year, only 8% of claims open at 30 June 2022 were more than 12 months old.

Claim re-open rates have also declined, from 4% in 2020-2021 to 2% in 2021-2022. The highest proportion of these continued to be the result of newly discovered drainage issues. We were particularly pleased to see customer satisfaction rates increase, with 79% of customers surveyed agreeing that Toka Tū Ake EQC was transparent and fair in all interactions.

Toka Tū Ake EQC continues to manage the Crown's On-sold programme for over-cap earthquake-damaged homes sold prior to 15 August 2019. As a result of this programme, more than 1,400 Cantabrians have had or are on track to have their damaged home repaired or rebuilt.

Over the last year we continued to work with customers completing repairs, some of which were significantly delayed by material supply constraints, cost increases and construction delays from the COVID-19 pandemic. Our On-solds team contacted around 1,500 homeowners to offer additional support where needed, completing approximately 250 site visits and supporting homeowners through their next steps in the process. We continue to monitor the impact of these constraints on the programme while ensuring the best outcomes achievable for homeowners.

We have also continued to achieve good results for Toka Tū Ake EQC claims lodged before the new model started. We resolved 100% of claims lodged in the 2021 calendar year within six months.

Our strong focus on customer service and progressing claims was reflected in 78% of surveyed Canterbury claims customers agreeing or strongly agreeing that we were responsive to their individual needs and situation during their recent experience (exceeding the performance target of more than 70%).

Customer satisfaction with the On-sold programme is high, with 84% of customers agreeing the process was transparent, fair and reasonable.

The single Crown entity approach to Southern Response Claims has also increased customer satisfaction for these claims by over 40% since the agency agreement commenced in January 2020.

Supporting all of New Zealand for a range of natural hazard events

From 30 June 2021 the vast majority of new claims from natural hazard events have been managed through our new claims model with private insurers. While 2021-2022 was a relatively low claims year, this amounted to 2,291 insurer-managed claims for a series of earthquakes and storm events that damaged homes and residential land, with 1,645 settled before 30 June 2022.

Of these claims, 76% were for landslip, storm and flood damage. As land claims can be more technical they can take longer to resolve. This has contributed to us not achieving the measure of claims older than six months being settled within 90 days of the assessment phase being completed.

These results reflect some of the significant weather events we have experienced across New Zealand in the last 12 months:

- West Coast and Marlborough flooding in July 2021, resulting in 407 claims.
- West Auckland flooding in August 2021, resulting in 140 claims.
- flooding in Gisborne Tairāwhiti in November 2021 resulting in 54 claims.
- a 5.8 magnitude earthquake east of Stratford, resulting in 43 claims.
- West Coast flooding, Tropical Cyclone Dovi, and a 5.6 magnitude earthquake west of Seddon in February 2022, resulting in 41, 167 and 50 claims respectively.
- significant rain to the upper North Island impacting Northland, Auckland and Te Tairāwhiti regions in March 2022, resulting in 71 claims.

In addition, we continued to reduce the number of Kaikōura claims on hand, with a particular focus on resolving aged and complex claims. As at 30 June 2022 we had 22 open Kaikōura claims.

A steadfast commitment to customer service

The new claims model provides a streamlined experience that avoids customers having to navigate two insurance processes. We are committed to providing a high level of customer service via this model and regularly survey customers via the independent agency Kantar.

Our surveyed customers have provided us with valuable insights on the new model. We are using this feedback to better respond under the model to our future customers. Our insurer partners have also put significant attention on understanding the issues customers are experiencing and are actively adjusting their approach.

In the first year of the model's operation a range of factors have contributed to us not achieving our customer focus targets. These factors include the higher proportion of landslip claims which can take longer to resolve due to their technical nature.

Customer feedback and our collection, use and management of data supports the fair, transparent and timely management of claims, whether it be by Toka Tū Ake EQC or a partner.

Our commitment to providing customers a high standard of service is captured in our Customer Code. Both Toka Tū Ake EQC and our partners applied this Code to their claims management services.



Toka Tū Ake EQC's Customer Code is based on the following principles

- We're committed to high standards of service and will act transparently, with integrity and utmost good faith towards you.
- We'll act in the interests of our customers by treating you honestly and fairly, and fulfilling our duties and obligations to the public under the EQC Act.
- We'll identify and address instances of poor conduct within our company.
- We're committed to ensuring our staff are appropriately trained and skilled to fulfil our responsibilities to you. Their training will include the requirements of the EQC Act, service to the public, collaboration with other public entities and may also include principles of insurance and relevant consumer laws.
- You're entitled to ask for and receive clarification on the terms, conditions and exclusions of the Act cover. We'll communicate clearly and will:
 1. answer your questions accurately and in writing if requested
 2. explain the information you need to give us when you make a claim
 3. explain the importance of you disclosing information that is honest, complete, up to-date and relevant
 4. explain how we will support vulnerable customers
 5. explain the decisions we make accurately, clearly, concisely and effectively in all our interactions with you
 6. take all reasonable steps to help people who have English as a second language.

How Toka Tū Ake EQC performed—Resilience

What we sought to achieve

One of our core strategic outcomes is that we improve the resilience of New Zealanders to natural hazards.

We do this by investing in research, collaborating, and sharing information and knowledge about natural hazards with

New Zealanders and key policy and practice communities.

Our goal is to reduce the impact from natural hazard events through New Zealanders having stronger homes, built on better land, and supported by resilient infrastructure.

Our performance for our Resilience output classes

This year's results are in the tables below.

● Achieved ● Not Achieved

A resilience programme that facilitates improved analytics and public understanding of natural hazard risk (2021-2022 Output Two)

Measure	2020-2021 performance	2021-2022 target	2021-2022 performance (as at 30 June)
Quality			
Stakeholders surveyed agree or strongly agree that the outputs of Toka Tū Ake EQC's investment in research ¹¹ are:			
• of good or excellent quality ¹²	Amended measure	≥75%	83% ●
• relevant and focussed on the outcomes of the Resilience Strategy	Amended measure	≥75%	78% ●
Stakeholders surveyed agree or strongly agree that Toka Tū Ake EQC:			
• is contributing to driving progress in resilience to natural hazards	Amended measure	≥75%	85% ●
• is an engaged and supportive partner	Amended measure	≥75%	83% ●

¹¹ Stakeholders include local government and design, planning, and construction professionals. Surveys are undertaken by A C Neilsen, an independent organisation.

¹² Research excellence is a standardised framework for assessing the quality of research.

A resilience programme that facilitates improved analytics and public understanding of natural hazard risk (2021-2022 Output Two) continued

Measure	2020-2021 performance	2021-2022 target	2021-2022 performance (as at 30 June)
Quantity			
Percentage of the public surveyed who say ¹³ :			
<ul style="list-style-type: none"> that they thought about potential risks of natural hazards when buying or looking to buy a property 	New measure	≥75%	85% ●
<ul style="list-style-type: none"> as homeowners, are aware that they can take action to make their homes safer and stronger for disaster events 	New measure	≥60%	68% ●
<ul style="list-style-type: none"> on the standard key preparedness actions promoted by Toka Tū Ake EQC, they have taken one of those steps to prepare their homes 	New measure	≥55%	83% ●
Number of formal, evidence-based submissions made on relevant (natural hazard risk) policies, plans, or initiatives or local government statutory plans			
Reviewer commentary that submissions are:			
<ul style="list-style-type: none"> of good quality on matters relevant to natural hazard risk reduction 	New measure	≥Five	Eight ●

13 By A C Neilsen via a quantitative survey.

Innovating through technology to enhance loss modelling and public understanding of natural hazard risks (2021-2022 Output Two)

Measure	2020-2021 performance	2021-2022 target	2021-2022 performance (as at 30 June)
Quantity*			
Deliver the following milestones for introducing PRUE loss modelling ¹⁴ : <ul style="list-style-type: none"> • a communications strategy for introducing partners to PRUE loss modelling • completion of the transition of the new system by 30 November 2021 • an agreed RiskScape and loss modelling multi-year roadmap with GNS and NIWA by the end of the financial year 	New measure	Milestones delivered	Achieved ●
As part of Toka Tū Ake EQC's website redevelopment project, an online tool will be developed by 30 June 2022 to inform New Zealanders about: <ul style="list-style-type: none"> • hazard risk information • priority preparedness actions they can take to reduce the impact of natural disasters 	New measure	Online tool delivered by 30 June 2022	Completion rescheduled to early 2023 ●

* Refer to page 35 for an explanation why one Quantity measure was not achieved.

14 PRUE is based on the RiskScape platform developed by GNS and NIWA.

How we achieved these results

Contributing to reducing the impact of future events by implementing our Resilience Strategy

Our work is guided by the Resilience Strategy for *Natural Hazard Risk Reduction 2019-2029*. This sets out our long-term ambition to play a key role in addressing New Zealand's resilience challenges. Under the strategy we invest in science, research, data, and modelling to inform and enable the choices and decisions that reduce the vulnerability and exposure of New Zealanders to natural hazards.

Our relationships, reputation and credibility with resilience and research stakeholders are vital to the success of the strategy. Using strong reciprocal relationships, we shared our knowledge and work with people who can make a difference, including policy makers, researchers and the public.

In 2021-2022 our stakeholder survey measures all exceeded targets, which provides assurance of the value of our natural hazard science and risk management work.

We completed our transition to a new loss modelling platform, PRUE, used to assess natural hazard impact and financial exposure. PRUE is based on GNS Science and NIWA's sophisticated risk modelling tool RiskScape®.

PRUE will enable us to expand our loss modelling beyond earthquakes to other hazards we cover, for example volcanic activity, landslides and tsunamis.

We will be able to model more complex, multi-hazard events like landslides after earthquakes. The platform will also be able to integrate new research more easily, turning science into actionable data and insights.

We have made an important investment in the science used in risk modelling by co-funding a major update to the National Seismic Hazard Model. Led by GNS Science, this update includes research findings from significant earthquakes like the Canterbury and Kaikōura earthquakes. The model provides critical data for decision-making on reducing the impact of earthquakes on New Zealand homes, communities, towns and cities. The updated version is expected to be published October 2022.

Collaborating to minimise risk

We continued our strong focus on connecting and engaging with people involved in natural hazards policy and practice to bring them meaningful and accessible science and research. This included developing and enhancing relationships with central government policy makers, local government, designers, engineers, architects and builders.

We made several submissions on exposure draft Bills, national policy directions, district and spatial plans, and are pleased to have evidence that we are informing government policy on natural hazards and risks.

In November 2021, we created a new dual-agency Chief Engineer role, for us and the Ministry of Business, Innovation and Employment.

Held by Professor Ken Elwood, this role has a critical purpose to champion resilience of the built environment, and bring key science, policy, and practice audiences together, to work on challenges facing New Zealand's built environment.

Public education to build a resilient Aotearoa

Toka Tū Ake EQC is focused on increasing natural hazard awareness and preparedness action. In 2021-2022 our public education programmes sought to prompt New Zealanders to take actions that will make their homes safer and stronger for natural hazards. This included a new campaign to encourage home buyers to consider natural hazard risk when purchasing a property, and our award-winning *After Quake – Double Take* campaign.

Our performance in public survey measures reflects the effectiveness of our advertising campaigns and media stories. Nearly 70% of those surveyed said they were aware of preparedness actions they can take to make their homes safer, and 88% said they had taken at least one of the six key preparedness steps promoted by Toka Tū Ake EQC.

Supporting this work, we progressed the development of a web preparedness tool to inform New Zealanders about natural

hazard risk information and priority actions they can take to reduce the impact of natural disasters.

This tool was due by June 2022 and is now scheduled to be delivered in early 2023, due to resourcing and information technology issues. While the functionality of the tool is complete as part of the Toka Tū Ake EQC website, work is ongoing to resolve some unexpected issues with loading the content onto the website.

Funding high quality research

Guided by our key partners and stakeholders on effectively targeting our research investment, during 2021-2022 we supported 86 projects that aim to reduce the impact of natural hazards on people and property. This included funding research and sponsoring conferences, events and awards.

Our research investment included awarding \$1 million funding to 13 research teams over the next two years as part of our 2022 Biennials research grants.

To ensure that diverse knowledge and voices inform our response to the challenges of living in a dynamic country, researchers were encouraged to consider the following lenses in writing proposals: Mātauranga Māori, the impact of climate change and social science.

We also incorporated two allocations to encourage participation from Māori and early career researchers, with a Māori assessment panel evaluating applications under the Māori allocation.

The chair of this panel also assessed any general applications that had Mātauranga Māori or Vision Mātauranga elements.

Read more about the research Toka Tū Ake EQC has funded at www.eqc.govt.nz/resilience-and-research/research/projects-on-the-go and www.govt.nz/our-publications/resilience-and-research-highlights-report



How Toka Tū Ake EQC performed—Risk financing

What we sought to achieve

A core strategic outcome for Toka Tū Ake EQC is to manage the EQCover scheme so financial resources are available to meet people's claims when they fall due.

To enable this, we focus on increasing our financial sustainability by balancing the cost of premiums paid by homeowners,

the level of reinsurance purchased, and the value of premiums retained and invested through the Natural Disaster Fund (NDF).

Effectively balancing these factors over time ensures we are well positioned to meet the cost of future claims without undue reliance on the Crown's guarantee. Under this guarantee, the Crown will provide funding to meet any shortfall in Toka Tū Ake EQC resources to meet claims made.

Our performance for our Risk financing output classes

This year's results are in the tables below.

● Achieved

Maintain a reinsurance programme that supports Toka Tū Ake EQC's delivery of affordable residential natural disaster insurance protection (2021-2022 Output Three)

Measure	2020-2021 performance	2021-2022 target	2021-2022 performance (as at 30 June)
Quality			
Reinsurance protection is obtained on terms that assure continuity of coverage for all perils, at rates that are lower than the Crown's cost of capital	Achieved	By 1 June 2022	Achieved ●
Annual consultation with the Crown on risk appetite occurs prior to purchasing reinsurance for 2022-2023	Achieved	Achieved	Achieved ●
An annual review of Toka Tū Ake EQC's Risk Financing Strategy is conducted	Achieved	By 30 June 2022	Achieved ●

Managing the Natural Disaster Fund (NDF) (2021-2022 Output Three)

Measure	2020-2021 performance	2021-2022 target	2021-2022 performance (as at 30 June)
Quantity			
The level of premiums collected compared to annual financial budget	104%	100%	100% ●
The NDF is managed in accordance with directions from the Minister	New measure	100%	100% ●
The value of the NDF is rebuilt (assumes fewer than 4,500 new claims in addition to Canterbury reopens)	\$200 m	>\$250 m	\$258 m ●

How we achieved these results

Continuing to grow our reinsurance programme

Our Risk financing activities are guided by our understanding of the Crown's balance sheet risk appetite and rebuilding the NDF. Purchasing reinsurance transfers an agreed amount of natural disaster risk to offshore capital providers, reducing the concentration of New Zealand's financial exposure to future natural disaster events.

In June 2022 we secured a record level of reinsurance of \$7.2 billion from the international market, an increase of nearly \$470 million. Building on the successful renewal of the previous year, this means we have grown the programme by \$1.2 billion over the past two years to support New Zealand homeowners to get access to affordable home insurance.

We have continued to maintain strong relationships with reinsurers, and through our investments in research and loss modelling, alongside the joined-up approach to claims management with private insurers, we continue to build their confidence and support.

The past two years have seen the international reinsurance market harden in response to high global losses over the past five years from catastrophic flood, storm and wildfire events, the COVID-19 pandemic and the war in Ukraine. Attracting support in these challenging conditions is testament to our unique scheme and the depth of the long-standing relationships we have forged with the international reinsurance market. Ensuring we maintain a strong reinsurance programme is one of the key benefits our scheme delivers for New Zealand homeowners, ensuring insurance is accessible and reasonably priced despite the perils we live with in New Zealand.

Preparing for the future

Our Risk Financing Strategy aims to ensure we have the financial resources available to meet our financial liabilities under the EQC Act when they fall due. In June 2022, the Board discussed the refresh of this strategy, supporting:

- a focus on ensuring Toka Tū Ake EQC premiums reflect the cost of the scheme
- the continued expansion of our reinsurance programme to support the growth in the residential building cap to \$300,000 excluding GST
- a clear and efficient mechanism for accessing the Crown Guarantee
- a medium-term focus on an investment strategy for the NDF.

Our ambitions to rebuild the NDF are well underway. During 2021-2022 the balance of the fund remained steady at around \$250 million.

In the future we expect to see growth in the NDF, supported by the change in the EQCover levy to reflect the increase of the residential building cap.

This levy change will be incorporated into homeowners' insurance premiums purchased or renewed from 1 October 2022 and will see the maximum annual levy increase from \$345 per property to \$552, including GST.

While we expect traditional reinsurance to remain a cornerstone of our Risk Financing Strategy, we are continuing to review the

potential benefits of including risk transfer capacity from alternative capital markets, to support our scheme to grow over time.

Throughout the year we consulted Treasury on the Toka Tū Ake EQC reinsurance programme and the Crown's risk appetite as part of our reinsurance renewal and engaged with the Treasury on the annual renewal of the Deed covering the Crown Guarantee. We also began discussions with the Treasury on the potential to allow greater diversification of the assets Toka Tū Ake EQC can invest the NDF in to help rebuild our financial resilience and reduce the likelihood of calling on the Crown Guarantee.

Toka Tū Ake EQC continues to manage accumulated funds carefully and in line with best practice portfolio management and Ministerial directions, and in accordance with the EQC Act and Crown Entities Act 2004. For the last six months of the year, Toka Tū Ake EQC placed \$170 million on term deposit with a range of New Zealand banks and was able to earn nearly \$750,000 more in interest than would have been the case had we not made these investments. As the fund grows, we expect to continue increasing the value we can add to the NDF through our investment activities.

Together with our growing reinsurance programme, rebuilding the NDF will support the payment of higher value claims under the cap increase.

How Toka Tū Ake EQC performed—Readiness

What we sought to achieve

Readiness is about ensuring Toka Tū Ake EQC and our partners have the right capability and capacity to support New Zealanders should we be required to respond to a natural hazard event today.

Over this past year our focus has been on embedding our new claims model to ensure claims made to the EQCover scheme are managed fairly, transparently and in a timely manner.

The new model is key to ensuring New Zealanders are well served in the next significant natural disaster event, greatly increasing the number of claims that can be managed annually in a recovery scenario.

As insurers are able to increase their claims management resources after a major disaster (surge capacity), the claims model provides us with the ability to respond to a greater number of claims. However, until a major natural disaster occurs we are not able to fully test this capacity. For the 2023-2024 year we propose altering the performance measure for the capacity of the event response model to reflect this situation.

We also further developed the information technology infrastructure we use to securely transfer and share policy and claims-related data from insurer partners to Toka Tū Ake EQC.

Our performance for Readiness output classes

This year's results are in the table below.

● Achieved ● Not Achieved

Readiness for an event (2021-2022 Output Four)

Measure	2020-2021 performance	2021-2022 target	2021-2022 performance (as at 30 June)
Quantity			
Toka Tū Ake EQC is able to demonstrate, through contingency planning and scenario testing, that its event response model has capacity to manage 100,000 claims per year by 30 June 2022	Achieved	Capacity for 100,000 claims maintained by 30 June 2022	Achieved ●

Readiness for an event (2021-2022 Output Four) continued

Measure	2020-2021 performance	2021-2022 target	2021-2022 performance (as at 30 June)
Quantity*			
To support co-ordinated insurance response and recovery activities. By 30 June 2022 Toka Tū Ake EQC (with its partners) has developed two event response strategies that cater to a range of natural disaster perils that Toka Tū Ake EQC covers	New measure	Two response strategies	Achieved ●
Systems are established and available to receive agreed data from private insurer partners under the insurer response model agreement	New measure	By 30 September 2021	Not achieved ●
Quality**			
Moderate and high-risk issues identified through the Insurer Response Model Assurance Framework have an agreed and documented action plan to address those issues (including timeframes), and relevant actions have been completed within the agreed timeframes	New measure	≥95%	95% ●
By 30 June 2022, Toka Tū Ake EQC implements the 39 recommendations from the 2020 Public Inquiry that are fully within its control ¹⁵	New measure	100%	95% ●
Toka Tū Ake EQC implements recommendations 5.1.3 and 6.1.3 from the 2020 Public Inquiry by 24 December 2022 ¹⁶	New measure	100%	50% ●
New Zealanders have increasing trust and confidence in Toka Tū Ake EQC	New measure	>90 in Public Sector Reputation Index	92 ●

* Refer to page 42 for an explanation why one Quantity measure was not achieved.

** Refer to page 43 for an explanation why two Quality measures were not achieved.

15 This measure sets a performance standard of 39 recommendations implemented by 30 June 2022. Two recommendations were not implemented by this date as they have dependencies: one is subject to the passing of the Natural Hazards Insurance Bill; and one is dependent on Government decisions.

16 Toka Tū Ake EQC has a total of 41 recommendations to implement. This measure is about two recommendations, 5.1.3 and 6.1.3, which are not fully within our control. These require us to engage with third parties and require a longer lead time to deliver.

How we achieved these results

Building capability into our new claims model

Our priority over this first year has been embedding and continued development of our new claims model, with a focus on supporting industry capability, transferring knowledge, and co-designing tools and approaches to ensure we are as ready as possible in a major event.

We also worked with private insurers to further develop the policies, systems and processes that work together to support a single-point customer-centred experience.

We have put in place a comprehensive monitoring and assurance framework with our insurer partners. This ensures that the private insurers managing claims on behalf of Toka Tū Ake EQC do so in a way that meets our legislative requirements, and that claims are managed fairly, transparently, responsively and in a timely manner. This framework will continue to evolve.

An important aspect of the partnership is the data sharing between Toka Tū Ake EQC and insurer partners. Toka Tū Ake EQC needs accurate and complete information to check that customers' claims are managed fairly, transparently and in a timely manner, and that payments to insurers are correct and in line with policy. Outside an event response, Toka Tū Ake EQC can use de-personalised, generalised policy and claim data to inform more

accurate reinsurance pricing, government policy and loss modelling. Enhanced claims data will also facilitate research, education and prevention activities to build New Zealand's community resilience.

While the data systems and processes have been established and are largely operating well, Toka Tū Ake EQC is working with our insurer partners on identifying areas for improvement and the best ways to increase operational efficiency and reduce exceptions (for example, input errors). This contributed to us not achieving our measure on data systems.

It is important to us that we gain feedback on how we're operating as a partnership so we can make adjustments. Significantly, we worked collaboratively with insurers to agree several technically important and complex approaches to issues such as apportionment and shared land damage.

Toka Tū Ake EQC will continue to build on our partnership and look for and apply efficiencies to our new claims model that improve the customer experience and effectiveness of our event response.

Testing preparedness for future events

History shows the best way to prepare for adversity is for people to come together to share knowledge and resources and support each other. By developing and testing event response strategies and contingency plans we can share insights with the community, iwi, local and central government, and the emergency management sector to ensure response strategies are aligned.

Our event planning and response is supported by risk modelling and mitigation analysis, which uses our data and technology infrastructure to create insights into how best to prepare for events.

We worked with our insurer partners and the Insurance Council of New Zealand (ICNZ) to successfully complete our first Event Strategy in April 2022. Based on a credible Hawke's Bay 7.6 magnitude earthquake event centred in Napier, we also ran an event desktop exercise using this scenario. The result of this collaborative effort is a co-designed plan to respond to likely insurance needs in the first 30 days after an event.

Our second Event Strategy was based on an Alpine Fault magnitude 8.2 earthquake and impacts across much of the South Island, and was endorsed by our insurer partners and ICNZ in June 2022.

Through this strategy development work we have been able to establish and grow key relationships with the response and recovery sectors, including the National Emergency Management Agency (NEMA) and local Civil Defence Emergency Management (CDEM) groups. We have also been able to help the response and recovery sector understand the role of insurance following a natural hazard event.

Implementing Public Inquiry recommendations

We have completed all but two of the recommendations allocated to Toka Tū Ake EQC that we were to complete by 30 June 2022.

These are dependent on finalisation of the Natural Hazards Insurance Bill and a decision on which agency leads any future housing recovery programme.

While leading such a programme is not within the role or functions of Toka Tū Ake EQC, we will work with the lead agency to support their preparation for a future major event.

During 2021-2022 we also made good progress towards two further recommendations due to be implemented by December 2022.

In our remaining work to address these two recommendations, we plan to develop a public facing, self-service Risk and Resilience Portal to provide New Zealanders with a comprehensive view of natural hazard risks at an individual, community, local, regional, and national level. The portal will leverage the data, information and risk modelling capability Toka Tū Ake EQC owns or funds. The first phase of this portal is in development to provide online access to Toka Tū Ake EQC claims information.

Due to additional time being required to carefully manage risks associated with releasing data, phase one of the portal will be completed by mid-2023, later than the original timeframe of December 2022.

We are addressing our remaining other recommendation by investing in research to understand the short and long-term impacts of cash settling claims for the 2016 Kaikōura/Hurunui earthquake on building quality, and on the wellbeing of homeowners.

This research is underway and being carried out by experts in building, engineering, housing and social science.

The results will inform a future housing recovery decision-making framework and account for the benefits and disadvantages of cash settlement following a natural hazard event. A report on the preliminary findings has been completed and the next phase to conduct interviews and further analysis has started.

We expect to receive the findings of this research in December 2022.



Public Inquiry report and the EQC Act review

Public Inquiry

The Public Inquiry into EQC was established in November 2018 to examine the role and work of EQC, and to learn lessons from Canterbury's experience that can be applied to how the organisation operates in the future.

The report on the Inquiry was released in April 2020, with 70 recommendations to help ensure no other community experiences the same stress and uncertainty following a natural disaster event.

The Government accepted all 70 Inquiry recommendations and gave 41 to Toka Tū Ake EQC to lead. Fulfilling the 41 recommendations has been a priority for us this year. Our progress on implementing these recommendations is outlined in the Readiness section of this annual report.

The Inquiry's central themes were the need for better customer experience and better preparedness for natural hazard events. This is at the heart of establishing our new claims model, which addresses nearly half of the recommendations we have implemented. The model carves out new ground for customer service and is central to our Readiness and Recovery work. In response to the Inquiry's recommendations, Toka Tū Ake EQC has embedded changes for its people, policy and systems, and for insurers participating in the new claims model.

In line with an Inquiry recommendation, we established the National Reference Group in June 2021 as a group of community representatives to connect Toka Tū Ake EQC with its communities and customers as recommended by the Inquiry. This year was their first full year of operating.

In addition to the 41 recommendations assigned to us, another 20 recommendations, to be led by other agencies, suggested possible changes to the EQC Act. These have been considered in the drafting of the Natural Hazards Insurance Bill which was introduced to Parliament in March 2022.

EQC Act review

In March 2022, the Minister Responsible for the Earthquake Commission introduced the Natural Hazards Insurance Bill into Parliament.

The Bill modernises the EQC Act and will change our name to Toka Tū Ake Natural Hazards Commission.

The Natural Hazards Insurance Bill has three overarching objectives, to:

- enable better community recovery from natural hazards
- clarify the role of the Commission and the cover provided
- enhance the durability and flexibility of our governing legislation.

Led by the Treasury, with close support from Toka Tū Ake EQC,

the Government's review and modernisation of the Act incorporates many of the recommendations from the Public Inquiry into the Earthquake Commission.

This work included reviewing the EQC building cap. During the 2021-2022 year, Regulations were made that will increase the cap from \$150,000 to \$300,000 excluding GST per dwelling from 1 October 2022.

Once passed into law, the new legislation will provide a simpler and clearer framework for Toka Tū Ake EQC to operate and for customers to understand.

Public Sector Reputation

The Public Sector Reputation Index is conducted annually to measure the reputation of nearly 60 New Zealand public sector agencies.

We track our progress on the index as an indicator of how effective our actions are in improving public trust and confidence in Toka Tū Ake EQC and delivering for our customers.

The index measures reputation across four pillars of trust, social responsibility, leadership and fairness.

We attained 92 in this year's Index and achieved the most improved agency of the 58 surveyed. This reflects our commitment to customer service and our collaborative approach to addressing recovery and resilience issues. While 92 is our highest score ever and meets our 2021-2022 target, we remain intent on improving our score.

Organisation and governance

TE KŌMIHANA ME TANA
KĀWANATANGA

Organisation

Making Toka Tū Ake EQC a great place to work

He tangata, he tangata, he tangata. The transformation of Toka Tū Ake EQC in recent years has been the result of many things, not least, our capable and committed team of people. Our people have applied themselves to building a modern, effective, and strategic organisation, and strengthening how we relate with communities and people of diverse backgrounds and circumstances.

We are proud of how far we have come as an organisation, the work we deliver and the values that guide us. We have learnt lessons from the past and have never lost sight of our unique purpose in support of New Zealanders.

We deliver results because of the calibre of our people. It is through their hard work, commitment and contribution that Toka Tū Ake EQC made a tangible difference for New Zealanders in the past year and why Toka Tū Ake EQC can plan for an exciting future in further helping communities to prepare against, and recover from, the impact of natural disasters.

Staff engagement continues to be strong. Employee engagement levels show that our people feel a great deal of pride in Toka Tū Ake EQC and the positive difference we make for New Zealanders. Annual employee engagement results increased from 73% in February 2021, to 75% in February 2022 (17% above the State Sector benchmark). We worked hard to maintain this high engagement throughout a year of personal and operational disruption caused by the impact and challenges of the ongoing COVID-19 pandemic.



In December 2021, we refreshed our Toka Tū Ake EQC People Strategy.

Our commitment to staff wellbeing and modern ways of working are a continued priority in how we support our people to be at their best at work. Manaaki tangata is at the centre of this, and we are committed to an inclusive culture and working environment within which our people derive meaning in their work and differences are embraced, enabling them to thrive.

Toka Tū Ake EQC is committed to engaging more effectively with the diverse communities we serve, particularly in our Readiness and Recovery functions. During the year we continued to upskill our workforce so that they are more responsive to these communities and how their needs vary. We are focused on our people practices to also improve how we attract and retain a diverse range of highly capable people for the organisation.

In August 2021, Toka Tū Ake EQC was awarded the GenderTick™.

This was a significant accomplishment, acknowledging our achievements in gender pay equity, leadership representation, flexible work arrangements, and our commitment to inclusion and diversity. To establish a clear path of action for the creation of a more accessible workplace in the coming years, in November 2021 we completed an Accessibility Tick audit to inform priorities. As part of strengthening a culture of inclusion, all people leaders attended unconscious bias workshops, and learning was available to all staff.

We continue to support our insurer partners to grow their capability as we embed the practices of our new claims model, and through partnership, support the ongoing achievement of our strategy.

This includes a focus on our Training Quality Assurance programme, working alongside industry experts to drive consistent outputs, prepare for changes to our governing legislation, and to engage in advanced learning opportunities for our people and our partners that builds on the foundational knowledge already in place.

Prioritising safety and wellbeing

The ongoing delivery of our Health, Safety, Security and Wellbeing programme has been a top priority. Our commitment to wellbeing is at the forefront of being a great employer and influences how we plan and respond to situations that may affect our people.

Toka Tū Ake EQC has continued to navigate the challenges of COVID-19 with minimal business disruption due to these health, safety, security, and wellbeing programmes, our flexible work arrangements, the adaptability of our leadership, and our overall commitment to being there for our people.

Our care for the health, safety, security and wellbeing of our people extends to how we engage and work with our insurer partners and, through an inter-connected partnership approach (whanaungatanga), how we manage our respective duties under the Health and Safety at Work Act for the safety and wellbeing of the people we employ.

Building our capability in te ao Māori and Māori-Crown relations

We made a strong start this year to build our cultural capability and relationships with Māori and iwi.

To oversee and grow our te ao Māori organisational capability we began growing the cultural capability of our leaders and staff.

A steering group of committed executive leaders was set up to oversee and drive this priority area.

This work programme will gain further momentum in 2022-2023 as we develop our te ao Māori strategy and build on our te ao Māori understanding and practices to improve outcomes with and for Māori. It will also support our role in improving Crown-Māori relationships.

In October 2021, our Whāinga Amorangi organisational plans for 2021-2022 were submitted to Te Arawhiti. In line with guidance from Te Arawhiti, our initial focus has been on first establishing our organisational capability at the level of 'comfortable', then aiming to grow capability to the level of 'competent' over several years. Although some activities, such as a Treaty of Waitangi 'wall walk' and eLearning for people leaders, were delayed or re-prioritised due to COVID-19 working arrangements and absences, we made good progress on these plans, including our:

- Board and executive leadership team (ELT) completing a level 1 te ao Māori course in 2021-2022. These classes include linkages and guidance on tikanga, kawa and te ao Māori knowledge. Nearly 150 of our staff also completed the course, with ongoing uptake as it continues to be offered beyond 2021-2022.

- Board and ELT completing a wānanga programme between August 2021 and May 2022 that included:
 - understanding the importance of key Māori cultural perspectives and concepts and the historical context of Te Tiriti o Waitangi/The Treaty of Waitangi
 - considering the principles of Te Tiriti o Waitangi and their relevance to Toka Tū Ake EQC
 - incorporating te ao Māori perspectives and practices into the way we consider and respond to issues
 - raising the cultural competency and confidence levels across the entire organisation.
- voluntary eLearning to support understanding of racial equity, institutional racism and Te Tiriti o Waitangi was available to staff, and continues to be offered beyond 2021-2022.

Work began on our te ao Māori strategy, a Māori engagement framework and the development of our te ao Māori competency framework to map current and future te ao Māori capabilities. We have identified and prioritised mana whenua relationships to demonstrate our commitment as a trusted and genuine Crown-Māori partner in providing strengthened services and outcomes for Māori. We began engaging with Ngāi Tūāhuriri and Ngāi Tahu in Ōtautahi (Christchurch) and made an initial approach to Te Āti Awa in Te Whanganui a Tara (Wellington).

During the year, we also implemented our te reo policy, and people leaders worked on their bicultural competency as part of our ongoing leadership development programme.

Using data to support our evolution

Data is central to Toka Tū Ake EQC being a leader in natural hazard risk reduction. It supports and contributes to our Risk Financing Strategy through loss modelling and actuarial valuation and forecasting, our Resilience strategy through risk modelling and mitigation analysis, and our Readiness strategy through event planning and response. Good data also ensures claims are managed fairly, transparently and in a timely manner regardless of whether claims are managed by Toka Tū Ake EQC or our insurer partners.

Over the past year we continued to make significant improvements to our data and technology capability, to become a modern, flexible, data-enabled and resilient organisation. This included establishing a cloud-based Data Hub and Exchange that is a critical enabler of our new claims model, and transitioning to a new loss modelling platform, PRUE, which we use to assess natural hazard impact and financial exposure. We also implemented cloud-based Claims Management and Finance Management systems.

Throughout this work we have leveraged external expertise, forming and enhancing strategic commercial relationships with a wide range of industry organisations.

During the year our award winning digital innovation and collaboration has transformed the way we operate as an organisation. This includes enabling a mobile and deployable workforce that can operate anywhere, supported by modern productivity tools and equipment and resilient, scalable, flexible data and information technology solutions. Throughout the year we also continued to educate our people on how to leverage data and technology for insights, to responsibly educate, inform and influence others, and to be forward-thinking about the value our research and data can provide for maturing New Zealand's resilience to, and recovery from, natural disasters.

Working towards carbon neutrality

Achieving carbon neutrality is among our key priorities and in 2021-2022 we commenced work under the Government's carbon neutral programme towards the carbon neutral goal by 2025.

During the year we developed a programme of work to establish our 'carbon baseline' as the basis for future monitoring and emission reduction planning, and in February 2022 signed a contract with Toitū Envirocare to provide support and direction to establish this baseline.

This foundational work puts us in a strong position to meet the expectations of us as a Crown entity to begin monitoring and reporting on our emissions in the 2022-2023 financial year.

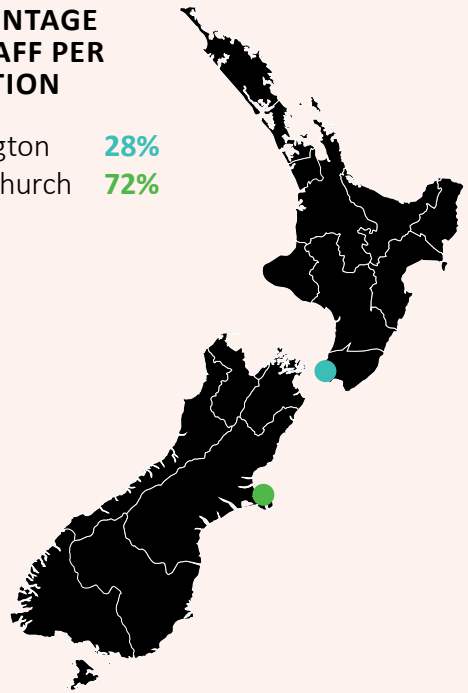
Our organisational values guide everything we do at Toka Tū Ake EQC



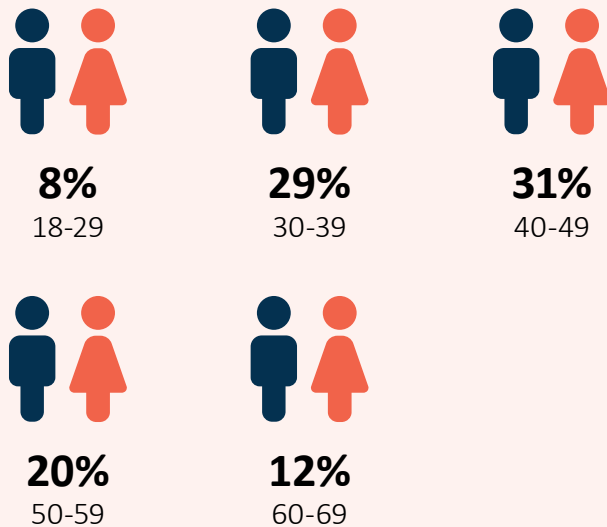


PERCENTAGE OF STAFF PER LOCATION

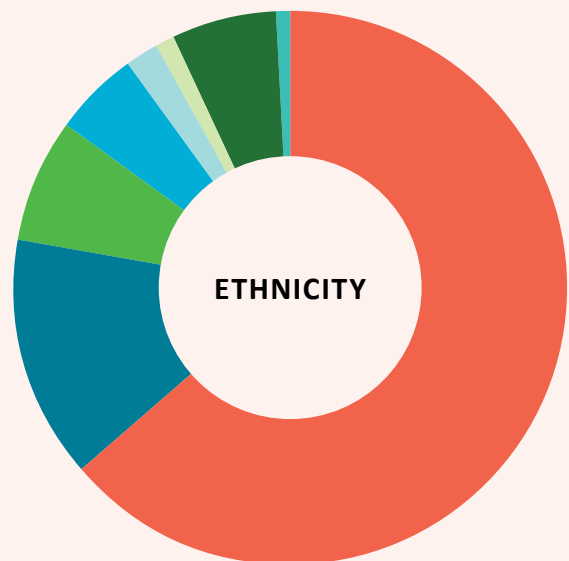
Wellington **28%**
Christchurch **72%**



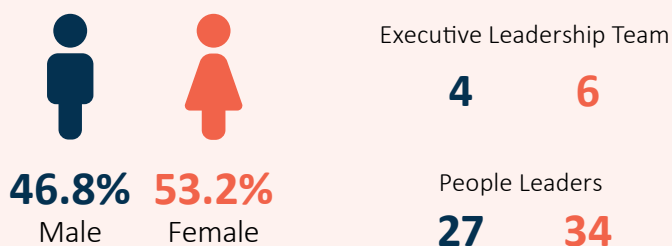
Age range - years



The average age of people working at Toka Tū Ake EQC is 43.9



Gender



NZ European	63.8%
European	14.0%
Asian	7.2%
Pasifika	5.1%
Māori	2.0%
Indian	1.0%
Other	6.1%
Undisclosed	0.8%

Governance and leadership

The Board is the governing body of Toka Tū Ake EQC

The Toka Tū Ake EQC Board has the authority to exercise the powers necessary to perform the functions of Toka Tū Ake EQC. The Board is accountable to the Minister Responsible for the Earthquake Commission.

All decisions relating to the operation of Toka Tū Ake EQC are made by (or under the authority of) the Toka Tū Ake EQC Board in accordance with the EQC Act and the Crown Entities Act 2004.

The role of the Board is to:

- set the strategic direction for Toka Tū Ake EQC
- ensure resources and objectives are aligned
- monitor financial, organisational and management performance
- appoint the Chief Executive Officer
- ensure, through the activities of management, that Toka Tū Ake EQC complies with its legal obligations.

The Board gives effect to government policy through the Statement of Intent and the Statement of Performance Expectations under which the Minister Responsible for the Earthquake Commission and Toka Tū Ake EQC agree on specific deliverables.

The Toka Tū Ake EQC Board is also guided by an annual letter of expectations and an enduring letter of expectations that sets out the Minister's expectations for Toka Tū Ake EQC.

The Board Chair is Chris Black, who took up the position on 1 July 2022 when his predecessor Mary-Jane Daly retired from the Board.

Hon Ruth Dyson was appointed Deputy Chair in April 2022. The profiles of the current members of the Board are on the next page.

**Chris Black – Board Chair**

CA, PGDip Accounting, BSurv, MInstD

Chris brings more than 25 years governance and executive experience with a strong background in insurance, banking and investment management. He was previously Chief Executive of Farmers Mutual Group from 2008 to 2021, has been the President of the Insurance Council of New Zealand and served on the Board of the Insurance & Financial Services Ombudsman Scheme. Chris has expertise in corporate strategy, customer service, financial and risk management, and leading cultural change. Chris was appointed to the Toka Tū Ake EQC Board in April 2022 and as Chair from 1 July 2022.

Term ends: 31 March 2025

**Hon Ruth Dyson – Deputy Chair**

QSO

Ruth Dyson has had a lengthy political career, serving as President of the NZ Labour Party from 1988 to 1992 and as a Member of Parliament from 1993 to 2020 representing the electorates of Lyttelton, Banks Peninsula and Port Hills. She was a Cabinet Minister between 1999 and 2008, serving as Minister for Social Development, ACC, Labour, Disability Issues and Senior Citizens amongst others. She has a strong public policy background and a track record of working for her constituents following the Canterbury earthquakes. She was Opposition spokesperson for Canterbury Earthquake Recovery, Chief Whip and Assistant Speaker prior to her retirement. Ruth joined the Toka Tū Ake EQC Board in May 2021 and was appointed Deputy Chair in April 2022.

Term ends: 30 April 2023

**Alastair Hercus**

BA (Hons), LLB, CMInstD

Alastair has been a Partner at Buddle Findlay since 1995, following an earlier career as a diplomat in the Ministry of Foreign Affairs and Trade. He brings legal, governance and government sector experience. He has insurance sector experience as former Deputy Chair of the Medical Assurance Society and is currently Chair of Co-operative Life Ltd. He is also a Director of Invercargill Airport Ltd, and Chair of the Risk & Advisory Committee at the Ministry of Business, Innovation and Employment. Alastair brings a focus on Toka Tū Ake EQC's policy, regulatory and commercial environment, including responses to the Public Inquiry, regulatory changes, and the Toka Tū Ake EQC relationship with the private insurance industry. Alastair joined the Toka Tū Ake EQC Board on 1 March 2020, and is Chair of the Audit and Risk Committee.

Terms ends: 30 June 2025

**Alister James**

QSO LLB, MInstD

Alister is a Christchurch barrister with significant public sector governance experience, whose active involvement in the community and voluntary sector was recognised by his appointment as a Companion of the Queen's Service Order in 2004. Alister was a Christchurch City councillor for 20 years and a member and former Chair of the Canterbury District Health Board. He has also previously served as British Honorary Consul, Deputy Chair of the State Housing Appeal Authority, Director and Chair of Christchurch City Holdings Limited, Chair of the Ngā Hau e Whā Christchurch National Marae and independent Chair of the Greater Christchurch Public Transport Joint Committee. Alister is the Chair of Southern Response Earthquake Services and joined the Toka Tū Ake EQC Board in May 2021.

Term ends: 30 April 2024

**Emma Dobson**

Emma is a New Zealander who has returned after many years working at a senior level with Westpac in Australia. Her career included work on the Australian Federal Government's Digital Business Council and the Australian Tax Office's Digital Strategy Working Group. Emma is a Director of BNZ Investment Services Limited and the Independent Chairman of wrkr, an Australian RegTech company. Emma brings a strong focus on strategic opportunities and risks, and pursuing digital transformation to meet customer expectations. She has transferable skills and extensive experience working at a high level within government and the private sector. Emma joined the Toka Tū Ake EQC Board in March 2020.

Term ends: 28 February 2023

**Erica Seville**

PhD, BE (Hons), CMInstD, Hon FBCI

Erica brings a strong focus on building broader resilience for Toka Tū Ake EQC, as well as preparing for our role during a disaster recovery. She is the co-founder of Resilient Organisations, a social enterprise undertaking both public-good research and consulting to help organisations and communities to improve their resilience. Erica has a PhD in risk management and has experience leading several major research programmes in the fields of disaster management, economic and business recovery, and the efficacy of insurance. In addition to her role with Toka Tū Ake EQC, Erica is also a director for Resilient Organisations, BRANZ, and is Chair of RRANZ. Erica joined the Toka Tū Ake EQC Board on 1 July 2018 and is the Chair of the People and Culture sub-committee.

Terms ends: 30 June 2024

**Fiona Wilson**

BSc, MSc, GradDipApplStats, CMInstD

Fiona, originally from Australia, now a New Zealand citizen, has held Chief Information Officer and Chief Executive Officer roles in Australia and New Zealand. Having been Chief Information Officer for major organisations in the Australian health sector, she brings experience leading technology related changes across complex organisations to deliver benefit to diverse stakeholder groups. Fiona has also worked with a large consulting firm and led an analytics business in New Zealand. She brings a track record of bridging technology, data, and business needs, and building business capability to deliver in both the public and private sectors. Fiona joined the Toka Tū Ake EQC Board in March 2020.

Term ends: 28 February 2023

**Scott Lewis**

BBS, FIAA, FNZSA, CMInstD

Scott has had a career in insurance and actuarial work in New Zealand and overseas. He provided expertise to Lumley Insurance from 2012 to 2014 with its response to the Canterbury Earthquakes before joining IAG as Head of Insurance Risk and Reinsurance. More recently, he spent two years at Oranga Tamariki – Ministry for Children, working on a data driven approach to better understand wellbeing for the Child and Youth Wellbeing Strategy. He is a Fellow of the Institute of Actuaries of Australia and the NZ Society of Actuaries and also currently sits on the Council of the NZ Society of Actuaries. Scott joined the Toka Tū Ake EQC Board in March 2020.

Term ends: 28 February 2023



Ziena Jalil

MA (Hons), BCS, DipIntlTrade, MInstD

Ziena brings a rich experience as an accomplished business and public sector leader with a focus on delivering equity and opportunity for those with diverse cultures, abilities and experiences. A champion of customer and community centricity, Ziena has consulted for some of New Zealand's largest businesses and organisations on their strategies, building their stakeholder relationships, reputations and revenue. She holds several governance positions across public, private and charity sectors, and is a keynote speaker and commentator on leadership, Asia business, nation branding, and diversity, equity and inclusion. Recognised by Campaign Asia Pacific as part of its 2020 Women to Watch, a group of 40 outstanding women in the Asia Pacific, Ziena has received several international awards for her work promoting New Zealand trade and education in Asia, and advises businesses looking to grow in the region. Ziena joined the Toka Tū Ake EQC Board in July 2022.

Term ends: 30 June 2025



Jacqui Apiata – Future Director

BPhEd, PGDip Business Management, MInstD, PMNZISM

Jacqui's areas of strength lie in organisational risk, strategy and leadership. Her governance experience includes roles with the United Fire Brigades Association (UFBA), Public Service Association (PSA), Forest Industry Safety Council (FISC), Tai Tokerau Polynesian Canoe Association (Deputy Chair), Tai Kotuku Incorporated (Founder and Chair). Jacqui has a track record of leadership and business success. Along with astute business and managerial skills, across the public and private sectors, Jacqui brings a long history of community involvement with a particular focus on youth, organisational, workforce and hapu development, and rich community insight. Jacqui also brings a deep cultural awareness, a deep-rooted understanding of He Whakaputanga (Declaration of Independence of New Zealand) and Te Tiriti o Waitangi, cultural capability and understanding of te ao Māori. Jacqui joined the Toka Tū Ake EQC Board in February 2022 as a Future Director under the Institute of Directors in New Zealand's Future Directors development programme.

Term ends: 30 June 2023

Board committees

There were two Board committees during 2021-2022:

- **The Audit and Risk Committee** supports the Board in delivering its responsibilities for audit, reporting and risk assurance. Alastair Hercus is the Chair. Other members on the committee are Emma Dobson, Scott Lewis, and Ruth Dyson. Mary-Jane Daly was an ex-officio member until 30 June 2022 before retiring from the Board.

- **The People and Culture Board**

Committee supports the Board in delivering its responsibilities for people, culture, remuneration, healthy, safety, security and wellbeing. Erica Seville is the Chair. Other members on the committee are Fiona Wilson and Alister James. Mary-Jane Daly was an ex-officio member until 30 June before retiring from the Board.

The table below sets out committees, members and attendance for 2021-2022.

Board member	Board (16 meetings)	Audit and Risk Committee (7 meetings)	People and Culture Board Committee (4 meetings)
Mary-Jane Daly, Chair	16	6	4
Chris Black (joined April 2022, Chair from July 2022)	4	1	1
Ruth Dyson (Deputy Chair from April 2022)	16	7	
Alastair Hercus	16	7	
Alister James	16		4
Emma Dobson	16	7	
Erica Seville	16		4
Fiona Wilson	16		4
Scott Lewis	16	7	
Jacqui Apiata (joined February 2022)	5		

The Toka Tū Ake EQC Executive Leadership Team leads our organisation

The Executive Leadership Team's key roles are to:

- provide advice to the Board to assist them in exercising their duties
- implement the strategic direction set by the Board
- define organisational and business strategies and policies
- build organisational capability
- manage the organisation's performance.

The Chief Executive is accountable to the Board and reports to the Board Chair.

In December 2021 the Board appointed Tina Mitchell as the organisation's Chief Executive. Tina took up the position in January 2022, replacing Sid Miller who announced his resignation as Chief Executive in August 2021.

Other changes to the Executive Leadership Team were the appointment of Kate Antonievich as Chief People Officer in September 2021; Kate Tod as Chief Readiness Officer, taking up the position in February 2022 that was vacated by her predecessor Josh Lindsay; Bernadette McDougall as Head of Canterbury Claims

in March 2022, filling Kate Tod's previous role; Lars Piepke as Chief Strategy Officer, taking up the position from May 2022 that was vacated by Tina Mitchell with her appointment as Chief Executive; and Rob Hodgson as Chief Data Officer, taking up the position in June 2022 that was vacated by Jaron Shaw.

Together the Chief Executive and nine members of the Executive Leadership Team are responsible for the four essential functions Toka Tū Ake EQC delivers for New Zealanders - Recovery, Resilience, Risk financing and Readiness - along with our supporting functions of Strategy, Finance, People and Culture, Data, Performance and Reporting. The members of the Executive Leadership Team are:



• **Tina Mitchell**
Chief Executive



• **Pip Andrews**
Head of On-Solds



• **Kate Antonievich**
Chief People Officer



• **Fraser Gardiner**
Chief Financial Officer



- **Rob Hodgson**
Chief Data Officer



- **Dr Jo Horrocks**
Chief Resilience and
Research Officer



- **Bernadette McDougall**
Head of Canterbury
Claims



- **Lars Piepke**
Chief Strategy
Officer



- **Kate Tod**
Chief Readiness
Officer



- **Hamish Wall**
Head of Performance
and Reporting

Governance forums

In addition to our Board and Executive Leadership Team governance, Toka Tū Ake EQC has a range of other governance forums, both internal and external to ensure oversight of the core parts of the work programme we deliver under our Statement of Intent.

Managing risk

Risk management activities at Toka Tū Ake EQC are based on the ISO31000 Risk Management Standard.

Toka Tū Ake EQC views risk management as a critical business discipline that reduces uncertainty and informs decision making in the achievement of statutory functions and objectives. The purpose of risk management at Toka Tū Ake EQC is to create and protect value.

Our Board, management and staff are guided by the following principles so that risk management is:

- customised and proportionate to our requirements
- reliant on appropriate and timely involvement of stakeholders
- approached in a structured and comprehensive way
- an integral part of all our organisational activities
- able to anticipate, detect, acknowledge and respond to changes
- considerate of any limitations of available information
- influenced by human and cultural factors
- continually improved through learning and experience.

Our risk management roles and responsibilities follow the internationally accepted 'three lines of defence' model. This gives people at Toka Tū Ake EQC primary responsibility for identifying and managing risks within their teams and ensuring risk management is an integral part of all their business activities. Toka Tū Ake EQC has an assurance programme that covers all aspects of our activities, including our new claims model. Management engages regularly with our Board and the Audit and Risk Committee to identify risks and appropriate controls and actions required.

The internal risk and assurance team advises the Audit and Risk Committee and management on the current and emerging risk landscape for Toka Tū Ake EQC, relative to the Board-approved risk appetite.

Toka Tū Ake EQC is committed to the implementation of its risk management framework and has an open and receptive approach to managing risks. This ensures risk management is integrated into normal business processes and aligned to our strategic goals. Risk management activities at Toka Tū Ake EQC include:

- promoting an organisational culture that encourages transparent identification and open discussion of risks i.e. threats and opportunities
- applying a consistent approach, using an agreed and widely understood method and language
- facilitating an appropriate level of monitoring, reporting, and escalation to inform decision making
- balancing cost and effectiveness, ensuring that improvements in controls are viable and cost effective given the expected benefits or outcomes, and focus on what matters most
- providing assurance that key risks are adequately managed and that we are able to plan for, rather than react to, risk
- dynamic and iterative responses to change, and tailored to Toka Tū Ake EQC's needs
- facilitating continual improvement of the organisation
- incorporating audit and compliance disciplines as part of sound risk management.

Financial statements

PŪRONGO PŪTEA

Statement of responsibility

The Toka Tū Ake EQC Board is responsible for the preparation of the financial statements and statement of performance for Toka Tū Ake EQC and the judgements made in them.

The Toka Tū Ake EQC Board is responsible for any end-of-year performance information provided by Toka Tū Ake EQC under section 19A of the Public Finance Act 1989.

The Toka Tū Ake EQC Board has the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the financial reporting.

In the opinion of the Toka Tū Ake EQC Board, the annual financial statements and the statement of performance for the financial year ended 30 June 2022 fairly reflect the financial position and operations of Toka Tū Ake EQC.

Signed on behalf of the Toka Tū Ake EQC Board:



Chris Black
Board Chair

28/09/2022



Alastair Hercus
Commissioner

28/09/2022

The primary objectives of Toka Tū Ake EQC are to administer the insurance against natural disaster damage as provided for under the Act, facilitate research and education about matters relevant to natural disaster damage, and to manage the Natural Disaster Fund including the arrangement of reinsurance.



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF TOKA TŪ AKE EQC - THE EARTHQUAKE COMMISSION'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2022

The Auditor-General is the auditor of Toka Tū Ake EQC - the Earthquake Commission (the Commission). The Auditor-General has appointed me, Brent Penrose, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements and the performance information of the Commission on his behalf.

Opinion

We have audited:

- the financial statements of the Commission on pages 68 to 127, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies; and
- the performance information of the Commission on pages 20 to 43.

In our opinion:

- the financial statements of the Commission on pages 68 to 127:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2022; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- the performance information on pages 20 to 43:
 - presents fairly, in all material respects, the Commission's performance for the year ended 30 June 2022, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 28 September 2022. This is the date at which our opinion is expressed.



The basis for our opinion is explained below, and we draw your attention to other matters. In addition, we outline the responsibilities of the Board of Commissioners and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Emphasis of Matters

Without modifying our opinion, we draw attention to the following disclosures in the financial statements.

Deficiency Funding Deed between the Crown and the Commission

Notes 1 and 12 on pages 73 and 106 indicate that at 30 June 2022, the Commission's total liabilities exceed its assets after accounting for reinsurance. The Crown, in terms of its obligation under Section 16 of the Earthquake Commission Act 1993, has entered into a Deficiency Funding Deed with the Commission to ensure that the Commission can meet its liabilities when they fall due. The Deed was signed on 18 September 2018 for a term of twelve months and was extended annually, with expiry now 27 August 2023. The Crown has not provided any funds as a grant in the 2021/22 financial year.

Uncertainties associated with the outstanding claims liability

Note 2 on pages 76 to 90 describes the inherent uncertainties involved in estimating the outstanding claims liability and the related reinsurance receivable and how these have been affected by the Canterbury and Kaikoura earthquakes.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board of Commissioners for the financial statements and the performance information

The Board of Commissioners is responsible on behalf of the Commission for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board of Commissioners is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Commissioners is responsible on behalf of the Commission for assessing the Commission's ability to continue as a going concern. The Board of Commissioners is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Commission, or there is no realistic alternative but to do so.



The Board of Commissioner's responsibilities arise from the Crown Entities Act 2004.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Commission's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Commissioners.
- We evaluate the appropriateness of the reported performance information within the Commission's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Commissioners and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of



our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Commissioners regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Commissioners is responsible for the other information. The other information comprises the information included on pages 1 to 19, 44 to 63 and 128 to 129 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Commission in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 : *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Commission.

Brent Penrose
Ernst & Young
Chartered Accountants
On behalf of the Auditor-General
Auckland, New Zealand

Statement of comprehensive revenue and expense

For the year ended 30 June 2022

		Actual 2022 \$(000)	Unaudited budget 2022 \$(000)	Actual 2021 \$(000)
	Note			
Earned premiums				
Premiums	3	528,048	526,566	520,232
Outward reinsurance premium expense		(217,289)	(208,364)	(189,863)
Net earned premium revenue		310,759	318,202	330,369
Underwriting movements				
Reinsurance and other recoveries	6	19,121	202	219,672
Claims (expense)/reduction	7	(279,716)	(14,577)	21,813
Total underwriting movements		(260,595)	(14,375)	241,485
Surplus from insurance activities		50,164	303,827	571,854
Other operating revenue				
Other revenue	4	11,418	11,340	10,753
Total other operating revenue		11,418	11,340	10,753
Other operating expense				
Recovery		(34,879)	(32,479)	(34,533)
Resilience		(33,938)	(30,553)	(31,514)
Risk financing		(7,697)	(5,863)	(7,932)
Readiness		(24,556)	(22,148)	(23,974)
Loss on disposal		(9,916)	(7,269)	(223)
Other expenses	4	(10,879)	(10,940)	(10,100)
Total other operating expense	8	(121,865)	(109,252)	(108,276)
Investment activities				
Investment revenue	9	1,343	600	1
Interest on cash balances		1,128	-	567
Total revenue from investment activities		2,471	600	568
Crown underwriting fee	18	(10,000)	(10,000)	(10,000)
Net (deficit)/surplus		(67,813)	196,515	464,898
Total comprehensive (expense)/revenue for the year		(67,813)	196,515	464,898

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2022

	Note	Actual 2022 \$(000)	Unaudited budget 2022 \$(000)	Actual 2021 \$(000)
Equity				
Capitalised reserves	12	1,500,000	1,500,000	1,500,000
Retained earnings				
Opening balance at 1 July (deficit)		(1,724,821)	(1,757,530)	(2,189,720)
Total comprehensive (expense)/revenue for the year		(67,813)	196,515	464,898
Closing balance at 30 June (deficit)		(1,792,634)	(1,561,015)	(1,724,821)
Closing balance as at 30 June		(292,634)	(61,015)	(224,821)

The accompanying notes form part of these financial statements.

Statement of financial position

As at 30 June 2022

	Note	Actual 2022 \$(000)	Unaudited budget 2022 \$(000)	Actual 2021 \$(000)
Equity				
Capitalised reserves	12	1,500,000	1,500,000	1,500,000
Retained earnings		(1,792,634)	(1,561,015)	(1,724,821)
Total equity		(292,634)	(61,015)	(224,821)
Assets				
Cash and cash equivalents		107,574	257,856	300,702
Premiums receivable		103,786	100,487	102,286
Other receivables	5	30,712	11,751	17,492
Outstanding reinsurance and other recoveries	6	148,121	80,229	181,252
GST receivable		-	1,309	5,038
Investments	13	150,840	-	-
Prepayments		2,249	3,596	2,285
Outward reinsurance expense asset		45,767	36,312	-
Held for sale	14	-	-	9,935
Property, plant and equipment	14	1,824	1,852	2,355
Intangible assets	15	9,178	15,027	17,297
Total assets		600,051	508,419	638,642
Liabilities				
Trade and other payables	16	(21,728)	(25,662)	(56,151)
GST payable		(3,065)	-	-
Finance lease liability	10	(64)	-	(85)
Provisions	17	(4,584)	(2,149)	(3,966)
Outstanding claims liability	2	(586,933)	(266,730)	(530,494)
Unearned premium liability	3	(276,311)	(274,893)	(272,767)
Total liabilities		(892,685)	(569,434)	(863,463)
Net liabilities*		(292,634)	(61,015)	(224,821)

* To ensure Toka Tū Ake EQC can meet its liabilities as they fall due, the Crown and Toka Tū Ake EQC have a Funding Deed in place for the Crown to meet its obligation under Section 16 of the Act. For further information on the going concern basis of these financial statements refer to Note 1 and Note 12.

Statement of cash flows

For the year ended 30 June 2022

		Actual 2022 \$(000)	Unaudited budget 2022 \$(000)	Actual 2021 \$(000)
	Note			
Cash flows from operating activities				
Cash was provided from:				
Interest		1,634	600	568
Premiums		530,092	525,559	525,008
Reinsurance and other recoveries		48,215	80,614	562,174
On-sold agreement receipts*		96,491	235,749	35,977
Other revenue*		409	2,416	2,752
Net GST		8,103	3,202	(1,602)
Cash was applied to:				
Outward reinsurance		(278,372)	(210,094)	(140,438)
Crown underwriting fee		(20,000)	(10,000)	-
Claims settlements and handling costs		(252,106)	(241,524)	(713,835)
Employees and other operating expenses		(52,215)	(63,111)	(65,985)
GeoNet operating expenses		(11,983)	(11,958)	(11,418)
Research grants		(7,151)	(8,069)	(3,941)
On-sold agreement costs*		(104,625)	(211,837)	(49,457)
Southern Response agreement costs*		(952)	(1,880)	(3,555)
Net cash (outflow)/inflow from operating activities		(42,460)	89,667	136,248
Cash flows from investing activities				
Cash was applied to:				
Purchase of property, plant and equipment	14	(637)	-	(5,384)
Purchase of intangibles	15	-	(4,234)	(9,925)
Purchase of investments		(150,000)	-	-
Net cash outflow from investing activities		(150,637)	(4,234)	(15,309)
Cash flows from financing activities				
Cash was applied to:				
Interest on finance lease liabilities		(9)	(9)	(68)
Payment of finance lease expense		(22)	(22)	(19)
Net cash outflow from financing activities		(31)	(31)	(87)
Net (decrease)/increase in cash and cash equivalents		(193,128)	85,402	120,852
Add opening cash and cash equivalents		300,702	172,454	179,850
Closing cash and cash equivalents		107,574	257,856	300,702

* Budget numbers in the Statement of Performance Expectations have been separated in this Statement of Cash Flows to align with related actuals.

Statement of cash flows (continued)

For the year ended 30 June 2022

Reconciliation of (deficit)/surplus for the year to net cash (outflow)/inflow from operating activities

	Actual 2022 \$(000)	Unaudited budget 2022 \$(000)	Actual 2021 \$(000)
(Deficit)/surplus for the year	(67,813)	196,515	464,898
Add non-cash items:			
Depreciation and amortisation	9,057	8,113	8,858
Impairment	218	-	-
Deferred lease incentive	(525)	-	-
Total non-cash items	8,750	8,113	8,858
Less items classified as investing activities			
Loss/(Gain) on disposal of property, plant and equipment	9,916	7,269	-
Total items classified as investing activities	9,916	7,269	-
Less items classified as financing activities			
Interest expense and amortisation of lease liability	(30)	-	(57)
Total items classified as financing activities	(30)	-	(57)
Add/(less) movements in Statement of Financial Position items:			
Premiums receivable	(1,499)	(1,007)	(3,368)
Net movement in reinsurance and other receivables	(12,636)	79,432	355,413
Other receivables	(13,443)	24,048	6,133
GST (receivables)/payables	8,103	(1,131)	(1,603)
Prepayments	35	3,276	(648)
Trade and other payables	(34,423)	(3,669)	29,411
Finance lease liability	(22)	(22)	(19)
Provisions	618	(115)	1,579
Outstanding claims liability	56,440	(225,567)	(732,492)
Unearned premium liability	3,544	2,524	8,143
Net movements in working capital items	6,717	(122,231)	(337,451)
Net cash (outflow)/inflow from operating activities	(42,460)	89,666	136,248

The accompanying notes form part of these financial statements.

Notes to the financial statements

1. Accounting policies

Reporting entity

Toka Tū Ake EQC* is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled in and operates in New Zealand. The relevant legislation governing the operations of Toka Tū Ake EQC includes the Crown Entities Act 2004 and the Earthquake Commission Act 1993 (Act). The ultimate parent of Toka Tū Ake EQC is the New Zealand Government.

The primary objectives of Toka Tū Ake EQC are to administer the insurance against natural disaster damage as provided for under the Act, facilitate research and education about matters relevant to natural disaster damage, and to manage the Natural Disaster Fund including the arrangement of reinsurance.

Toka Tū Ake EQC has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The reporting period covered by these financial statements is the year ended 30 June 2022. These financial statements were approved by the Board on 28 September 2022.

Basis of preparation

Statement of compliance

The financial statements of Toka Tū Ake EQC have been prepared in accordance

with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The financial statements comply with Public Benefit Entity (PBE) Standards as appropriate for Tier 1 public benefit entities.

Going concern

Actuarial estimates of claims liabilities indicate that total liabilities exceed its assets after accounting for reinsurance as at 30 June 2022. The Crown has entered into a Deficiency Funding Deed with Toka Tū Ake EQC to meet the Crown's obligation under Section 16 of the Act to ensure that Toka Tū Ake EQC can meet its liabilities as they fall due. The Deed was signed on 18 September 2018 for a term of 12 months and was extended annually, with expiry now 27 August 2023. Section 16 states: "If the assets of the Commission (including the money in the Fund) are not sufficient to meet the liabilities of the Commission, the Minister shall, without further appropriation than this section, provide to the Commission out of public money such sums by way of grant or advance as may be necessary to meet the deficiency upon such terms and conditions as the Minister determines".

The Board has therefore adopted the going concern assumption in preparing these financial statements.

* From 1 July 2022, the Earthquake Commission has adopted a new name Toka Tū Ake EQC as a transition to becoming Toka Tū Ake - Natural Hazards Commission when the Natural Hazards Insurance Bill comes into force which is expected to be in late 2023-2024.

Measurement base

The financial statements have been prepared on a historical cost basis modified by the measurement of insurance liabilities and reinsurance recoveries at present value of expected future receipts/ payments and investments at fair value.

Functional and presentational currency

These financial statements are presented in New Zealand dollars, which is the functional currency of Toka Tū Ake EQC, and are rounded to the nearest thousand dollars.

Accounting judgements and major sources of estimation

The preparation of financial statements in conformity with PBE Standards requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised (if the revision affects only that period) or in the period of the revision and future periods (if the revision affects both current and future periods).

The actuarial judgements and estimations involved in measuring insurance liabilities and reinsurance recoveries are key areas

of estimation where the assumptions made may have a significant effect on the financial statements, with a significant risk of material adjustment in future periods. This is discussed in Note 2.

Significant accounting policies

The following policies have been applied consistently throughout the financial statements. Other accounting policies can be found in their relevant note.

Foreign currency

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at year-end exchange rates, of monetary assets and liabilities, are recognised in surplus or deficit in the Statement of Comprehensive Revenue and Expense.

Taxation

Toka Tū Ake EQC is exempt from the payment of income tax in terms of the Income Tax Act 2007. Accordingly, no charge for income tax has been provided for.

Toka Tū Ake EQC pays transactional taxes such as Goods and Services Tax, Fringe Benefit Tax and Non-Resident Withholding Tax.

Goods and Services Tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis.

Where GST is not recoverable it is recognised as part of the related asset or expense.

Net GST receivable or payable at balance date is included in receivables or payables in the Statement of Financial Position as appropriate. Commitments and contingencies are disclosed exclusive of GST.

The net GST paid or received, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Comparatives

When the presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impractical to do so.

Other operating expense categories for the 2021 actuals have been reclassified from two previous categories into four categories to align with internal analysis and reporting as well as the 2021-2022 Statement of Performance Expectations (SoPE).

Budgets

The unaudited budget figures reported in these financial statements are the financial performance targets that were included in the 2021-22 Statement of Performance Expectations. Major variances to budget are explained in Note 11.

Standards issued but not yet effective and not early adopted

The External Reporting Board (XRB) issued PBE International Public Sector Accounting Standards (IPSAS) 41 Financial Instruments in March 2019. This standard supersedes PBE International Financial Reporting Standards (IFRS) 9 Financial Instruments, which was issued as an interim standard and adopted by Toka Tū Ake EQC in 2019-2020. It is effective for reporting periods beginning on or after 1 January 2022. No changes are expected on the adoption of PBE IPSAS 41.

The XRB issued 2022 Omnibus Amendments to PBE Standards in June 2022. This set of amendments covers changes to disclosures relating to financial instruments, leases, impairment of both cash and non-cash generating assets, provisions, contingent liabilities and assets, and property, plant and equipment. It is effective for reporting periods beginning on or after 1 January 2023. Toka Tū Ake EQC has not yet determined how application of these amendments will affect its financial statements.

PBE Financial Reporting Standards (FRS) 48 Service Performance Reporting was issued in November 2017 and replaces the service performance reporting requirements of PBE IPSAS 1. It is effective for reporting periods beginning on or after 1 January 2022. This was deferred from the original effective date of 1 January 2021. It is unlikely the application of PBE FRS 48 will have a significant impact on the Statement of Performance Expectations.

Standards not yet issued

Leases

In January 2021 the International Public Sector Accounting Standards Board (IPSASB) issued for comment Exposure Draft 75 Leases to replace PBE IPSAS 13 Leases that is currently applied by Toka Tū Ake EQC. The exposure draft proposes to align PBE lease accounting with the for-profit sector requirements prescribed in IFRS 16. The proposed effective date is 1 January 2027. Toka Tū Ake EQC has not assessed the impact as the Standard has not yet been issued.

Insurance Contracts

In August 2018, the External Reporting Board issued NZ IFRS 17 Insurance Contracts. This replaces NZ IFRS 4 Insurance Contracts. A not-for-profit equivalent Standard was issued in July 2019, however there is currently no equivalent PBE Standard applicable to Toka Tū Ake EQC. In March 2022 the New Zealand Accounting Standards Board sought comments on the public sector equivalent Standard. This is expected to be issued next year and is likely to apply within two to three years from date of issue. Toka Tū Ake EQC has not assessed the impact as the Standard has not yet been issued.

2. Insurance liabilities

Toka Tū Ake EQC provides cover to all New Zealand homeowners who take out fire policies on their home for the following types of hazard: earthquakes, natural

landslip, volcanic eruption, hydrothermal activity, tsunami, flood and storm damage (to residential land only), and fires resulting from these events. Due to New Zealand's high level of insurance penetration, and the mandatory nature of EQCover, Toka Tū Ake EQC has a balanced, diversified portfolio covering the vast majority of New Zealand homes. Toka Tū Ake EQC has an extensive reinsurance programme to protect the portfolio, and has an uncapped guarantee from the Crown, should retained funds and reinsurance prove inadequate.

At balance date, Toka Tū Ake EQC recognises a liability in respect of outstanding claims, including amounts in relation to claims reported but not yet paid, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and costs, including claims handling expenses. Toka Tū Ake EQC also assesses the adequacy of the unearned premium liability and calculates any resulting unexpired risk liability. Toka Tū Ake EQC engages independent professional actuaries to undertake a valuation of outstanding claims and an assessment of the unexpired risk liability on a six-monthly basis.

When an event initially occurs, Toka Tū Ake EQC will estimate the cost using loss modelling (for a modelled peril) and expert scientific advice, based on geological and geographical information such as seismic readings. As time progresses, Toka Tū Ake EQC and the actuaries gather additional information as patterns start to emerge in the cost of claims as customers receive their entitlement under the Act.

In the case of the 2010-2011 Canterbury earthquake sequence, court judgments and policy decisions by the Government over time have also affected the nature and value of claims paid. The actuaries take this additional information into account at each valuation to refine their calculations, which may increase or decrease the estimate of the overall cost of an event. The total costs for any single event will ultimately not be fully known until the final claim has been settled.

Actuarial valuation as at 30 June 2022

The most recent actuarial valuation report was prepared by Craig Lough and Jeremy Holmes of Melville Jessup Weaver (MJW), who are both Fellows of the New Zealand Society of Actuaries. Their report was commissioned to provide estimates of the outstanding claims liability; reinsurance and other recoveries; and premium liabilities, including the unexpired risk liability. MJW also performed actuarial valuations of the outstanding claims liability for the financial years from 30 June 2011 to 30 June 2021. The effective date of the valuation report is 30 June 2022. The actuaries considered that overall the information and data supplied to them was adequate and sufficient for the purpose of the valuation. The outstanding claims liability, comprising all unpaid claims and claims handling expenses related to claims incurred prior to the end of the reporting period, was valued in accordance with New Zealand Society of Actuaries Professional Standard No.30 - Valuations of General Insurance Claims, and PBE IFRS 4 – Insurance Contracts.

To determine the outstanding claims liability, the actuaries needed to develop a range of assumptions about the eventual cost of currently open claims and the incidence of reopened claims in the future. To do this, they have analysed past payment and settlement patterns in Toka Tū Ake EQC claims data, including how these have changed over time, and discussed with management and claims staff how these patterns are evolving and the drivers of changes. The final claims assumptions adopted are determined by the actuaries using their professional judgement. Management provides information on current and short-term claims handling expenses, which the actuaries then project out in line with the expected level of claims in force in future periods.

The actuaries projected the ultimate claims costs, then deducted the payments made in relation to those claims on or before 30 June 2022 to arrive at the outstanding claims liability. The calculations are performed by event and claim type (land claims, dwelling claims or contents claims and claims handling expenses). As at 30 June 2022 three separate models were used: one to estimate the Canterbury earthquake sequence liabilities; another to model Kaikōura liabilities; and a model to estimate liabilities from all other claims (known as 'BAU').

This year the actuaries changed from using an aggregate stochastic frequency/severity model to a payments per claim finalised approach to estimate the outstanding claims liabilities associated with the Canterbury earthquake sequence, which provides greater interim forecasting and analysis. This change does not affect the quantum of the outstanding claims liability. All costs for the Canterbury earthquake sequence need to be attributed or apportioned to one of five identified earthquakes or groups of earthquakes, as the Toka Tū Ake EQC cap reinstates for each event. Toka Tū Ake EQC has only been able to claim against its reinsurance for the Darfield and Lyttelton events. A direct allocation to each earthquake was not always possible, as properties may not have been assessed between events. A number of mathematical approximations have been developed over time to allocate costs where the actual event cause is unclear.

For the Kaikōura event a deterministic model was used to calculate potential future costs to Toka Tū Ake EQC for remaining claims. For currently open claims the future cost was modelled based on the case estimates. For reopened claims, a number of future reopened claims were allowed for and a cost per reopened dwelling was modelled. A stochastic model was used to estimate variability around the estimated future cost.

The models for both Canterbury and Kaikōura claims allow for some claims to close without a payment being made.

The outstanding claims liability is recognised at balance date as the central estimate of the present value of the expected future payments for claims incurred to balance date, plus an additional risk margin to allow for the inherent uncertainty in the central estimate. The expected future payments include those in relation to claims reported but not yet paid, incurred but not reported (IBNR), incurred but not enough reported (IBNER) and claims handling costs. The risk margin is set to achieve a desired probability of sufficiency, based on the actuarial modelling. The Toka Tū Ake EQC Board has chosen to adopt a risk margin of 85% (2021: 85%) probability of sufficiency (i.e. there is an 85% probability that the net provision will ultimately prove to be adequate to meet the liabilities from events which have occurred as at 30 June 2022, and a 15% chance that it will be insufficient).

Changes to the Earthquake Commission Act affecting the outstanding claims liability

At the time of the first Canterbury earthquake, the Act required claims to be notified within one month of an event. This was amended to three months in 2011. Therefore, the key area of estimation risk for Canterbury and Kaikōura events is future development in the cost of existing claims (reopened claims) rather than the future notification of further claims. The volatility of the reopened claim stream is partially mitigated by the maximum settlement amounts which generally applied for each of the Canterbury and Kaikōura events of \$20,000 for contents and \$100,000 excluding GST for dwellings.

Claims in relation to residential land are subject to a variable monetary limit and are, therefore, subject to greater uncertainty.

In February 2019, the EQC Amendment Bill was passed, which extended the timeframe for lodging a claim from three months to two years from that date forward. This has been taken into consideration by Melville Jessup Weaver in estimating the incurred but not reported (IBNR) element of the outstanding claims liability.

From 1 July 2019 the EQC Amendment Bill also saw the removal of the \$20,000 EQCover for contents and an increase in the cap on residential building cover from \$100,000 to \$150,000 excluding GST, at the homeowner's next policy renewal date.

Valuation results - outstanding claims liability and risk margin

On a net of reinsurance basis the outstanding claims liability, including the risk margin, has increased to \$439 million as at 30 June 2022 (2021: \$379 million). This increase is largely due to an increase in the provision for reopened Canterbury earthquake sequence claims, after a review of the modelling methodology and assumptions, plus a significant increase in the adjustments for inflation, due to rapidly rising building costs.

As the total value of current and future claims cannot be known with certainty, the amounts recorded in the financial statements for claims liabilities and reinsurance recoveries are almost certain to be different from the liabilities and associated receivables that eventuate.

The level of uncertainty is reflected in the overall value of the risk margin as a proportion of the net outstanding claims liability (the liability after accounting for reinsurance recoveries and discounting). This has decreased to 24% in 2022, down from 36% in 2021. In absolute terms, the 2022 risk margin decreased to \$84 million from \$100 million in 2021. The increased certainty in the outstanding claims provision has arisen through improvements in modelling and more accurate estimates as time has progressed. The specific issues related to each part of the liability are discussed in more detail in the related sections below.

Progress with the 2010-2011 Canterbury earthquake sequence

During the 2022 financial year Toka Tū Ake EQC continued to settle reopened claims arising from the Canterbury earthquake sequence. Although it is now more than 10 years since the Canterbury earthquake sequence began, there remains a level of uncertainty associated with the valuation of the outstanding claims liability. Due to the ongoing contribution from reinsurance, numbers for the Canterbury earthquake sequence in this note are presented either on a gross basis, reflecting the movement in the outstanding claims liability, or on a net basis which includes any recoveries from reinsurance and reflects the impact on the Statement of Comprehensive Revenue and Expense.

The central estimate of the gross ultimate cost of the 2010-2011 Canterbury earthquake sequence increased by \$294 million to \$12,242 million in the 2022 financial year. This was driven by a \$268 million increase in the estimated total buildings claims costs, a \$28 million increase in claims handling expenses and a \$2 million decrease in the estimated land claims costs. Expected reinsurance recoveries have increased by \$58 million.

Key components of the outstanding claims liabilities for the Canterbury earthquake sequence are discussed in more detail in the next sections.

Canterbury buildings claims liability

Toka Tū Ake EQC activities in recent years in regard to Canterbury building claims have focussed on addressing reopened claims and continuing discussions with private insurers in relation to finalisation of the wash-up of claims costs for settled claims. Finalisation agreements have been reached with the four largest private insurers and the focus is now on reopened claims.

There are a number of reasons why a claim may be reopened for investigation, including missed damage, poor workmanship, faulty or inappropriate materials, or inappropriate or poorly lasting repairs. The actuarial valuation covers approximately 1,361 claims currently believed to have outstanding liabilities as at 30 June 2022 (excluding claims being managed under the Crown's On-sold programme).

During the 2022 financial year Toka Tū Ake EQC increased the gross central estimate of ultimate expense for building claims by \$268 million. After allowing for reinsurance and other movements, the net impact across the year is an increase in the net ultimate claims including claims handling expense of \$236 million.

The main elements driving the change in the liability are:

- increases to the assumed number of future reopened claims and the duration over which they will occur
- increases in the assumptions for future building cost inflation
- increases in claim handling expenses allowances, reflecting the increased workflow projections
- provision for On-sold homeowners.

The reopened claims assumption has been based on both current and past trends and discussions with management and claims handling staff.

In August 2019 the Government announced the On-sold support package for Canterbury homeowners. This package is managed by Toka Tū Ake EQC on behalf of the Crown. The package provides support for eligible homeowners who purchased a property before 15 August 2019 which had been assessed by Toka Tū Ake EQC as being under-cap at the time of purchase but was subsequently found to have damage exceeding the cap.

The Crown's On-sold support package will pay for the over-cap portion of the required repairs.

A range of associated costs, including the undercap portion of the claim, falls to Toka Tū Ake EQC. As this group of claims is now fairly well understood, a separate valuation process has been applied to them, including using case estimates where these are available.

Canterbury land claims liability

The series of earthquakes Canterbury experienced from September 2010 caused several types of land damage.

As at 30 June 2022 Toka Tū Ake EQC has completed the vast majority of land settlement claims to Green Zone properties. There is however a very small component relating to ongoing payments to customers regarding open and future reopened claims.

The central estimate of the gross ultimate land claims costs decreased by \$2 million to \$579 million in the 2022 financial year. As at 30 June 2022 the estimated gross outstanding claims liability is \$1 million.

For the purpose of the actuarial valuation, the amounts paid in respect of land claims over the past 18 months were considered together with how these payments related to the number of properties with open land exposures. The outstanding liability is based on an estimated number of open claims going forward and the average cost per open claim.

Reinsurance recoveries

Toka Tū Ake EQC continues to draw on reinsurance in respect of the 2010 Darfield event. The ultimate reinsurance recovery has been estimated taking into account currently open claims, the modelled scenarios for future reopened claims, reinsurable claims handling expenses, and the structure and amount of the remaining reinsurance cover. In approximately 9% of modelled scenarios, Toka Tū Ake EQC will reach the limit of the available reinsurance. Claims on Toka Tū Ake EQC reinsurance may be subject to audit by reinsurers prior to payment.

No further reinsurance recoveries are available for the 2011 Lyttelton event.

Canterbury claims handling expenses liability

In working to resolve the outstanding Canterbury earthquake sequence claims, Toka Tū Ake EQC incurs claims handling expenses including personnel, technology and professional expertise costs. As at 30 June 2022, Toka Tū Ake EQC has revised its estimate of the total claims handling expenses that may be required to settle ongoing reopened claims. The increase in the expected timeframe and number of reopening claims has resulted in an increase of \$28 million to the gross ultimate claims handling expenses (\$19 million on a net of reinsurance basis), with the ultimate claims handling expenses now estimated to be \$1,792 million, an increase from \$1,763 million at 30 June 2021.

As at 30 June 2022 \$1,705 million has been paid. The provision for claims handling costs has increased by \$1 million to \$86 million as at 30 June 2022.

Summary of key assumptions for future payments arising from the Canterbury earthquake sequence

The Canterbury earthquake sequence claims models use stochastic processes to estimate the range around the central estimate of the ultimate claims cost. As such, each key assumption has a probability distribution. The table below summarises the sensitivity of the estimated outstanding claims liabilities for the Canterbury earthquake sequence to each of the assumptions used in the model.

Item	Assumption*	Sensitivity	Impact on Net OCL**
Average claim size	Starting at \$35,000	+/- \$1,000	+/- \$2m
Average claim size (upon closing)	Starting at \$26,000	+/- \$1,000	+/- \$7m
Proportion incurring payment each month while remaining open	3.2% per month	+/- 0.1%	+/- \$2m
Proportion incurring payment (upon closing)	34%	+/- 1%	+/- \$5m
Reopen rate	Dependent on time since last closure e.g. 9.2% reopen during first month after closing	+/- 10%	+\$37m -\$33m
Closure rate	Dependent on time since last reopen, e.g. 46% during first month after reopening	+/- 10%	-\$10m +\$13m

* All assumptions are based on recent experience.

** Outstanding claims liabilities.

Progress with the November 2016 Kaikōura Earthquake

For the 2016 Kaikōura earthquake, Toka Tū Ake EQC signed a Memorandum of Understanding with a number of private insurers to manage the majority of Toka Tū Ake EQC dwelling and contents claims on its behalf. Toka Tū Ake EQC reimbursed the insurers for the claims settlement (which is made in accordance with the Act) and the insurers' respective handling costs. Toka Tū Ake EQC managed any land exposures or claims relating to properties that already had an open claim from a previous event (e.g. the 2010-2011 Canterbury earthquake sequence).

Since mid-2019 Toka Tū Ake EQC has taken over the management of the majority of remaining undercap claims from the majority of participating private insurers, although the private insurers have retained management of multi-unit buildings, claims with outstanding complaints, and some with other special features, at their discretion. Toka Tū Ake EQC also manages all new reopened undercap claims.

The total cost of the Kaikōura event is estimated to be less than the reinsurance deductible, therefore no reinsurance receipts are expected. Costs given below in relation to the Kaikōura earthquake event represent both the change to the outstanding claims liability and the impact on the Statement of Comprehensive Revenue and Expense.

The central estimate ultimate cost of the earthquake is \$668 million as at 30 June 2022, an increase of \$4 million compared to 30 June 2021. To date payments of \$655 million (including claims handling expenses) have been made, leaving an outstanding central estimate claims expense of \$12 million. There is an additional \$5 million risk margin associated with the event as at 30 June 2022 (2021: \$4 million). The primary driver of the increase is a change in the model assumptions for reopened claims. It is assumed reopened claims will continue for a longer period of time than previously assumed.

Summary of key assumptions for future payments arising from the Kaikōura earthquake

The Kaikōura earthquake claims model uses stochastic processes to estimate the range around the central estimate of the ultimate claims cost. As such, each key assumption has a probability distribution. The table below summarises the sensitivity of the estimated outstanding claims liabilities for the Kaikōura event to each of the assumptions used in the model. The assumptions are all shown as relative movements of +/-10%.

Sensitivity to key Kaikōura valuation assumptions

Item	Assumption*	Sensitivity	Impact on Net OCL
Average reopened claim size	\$47,000	+/- \$10,000	+/- \$0.7m
Probability reopened claim is non-zero	50%	+/- 10%	+/- \$0.7m
Number of future reopened claims	147	+/- 100 claims	+/- \$2.4m

* All assumptions are based on recent experience.

Economic assumptions used in the actuarial valuation

The following are the key economic assumptions the actuaries have used in determining the outstanding claims liability:

	2022	2021
Claims inflation rate per annum	9.1% short-term decreasing to 3.2% longer term	2.5%
Discount rate per annum	2.60% to 4.04%	0.4% to 1.0%

A number of assumptions are made relating to the timing of payments and claims handling expenses. These can be summarised in the following two measures, which are the results of calculations over the entire claims portfolio:

	2022	2021
Weighted average term to settlement	1.89 years	1.87 years
Claims handling expenses as a percentage of claims paid	15.3%	15.3%

Processes used to determine economic assumptions

Claims inflation rate

The claims inflation rates were determined by considering the residential component of the capital goods pricing index and the labour inflation index and the historical relationships of these indices with the consumer price index. Consumer price inflation projections from a range of economists were then used to project capital goods and labour inflation rates.

Discount rate

Projected cash flows are discounted for the time value of money using the Treasury's published discount rates as at 30 June 2022 and 30 June 2021.

Demand surge

Demand surge percentage is based on information from material and labour cost indices, discussions with Toka Tū Ake EQC executives and industry expectations.

Claims handling expenses are allocated by event groups and estimated on a per-claim basis using per-claim assumptions derived from an analysis of expenses. Risk margins are also applied to claims handling expenses.

Sensitivity of economic assumptions

The sensitivity analysis on the following page shows the potential impact of changes in the key economic assumptions on the value of the net outstanding claims liability, which has the same impact on the Statement of Comprehensive Revenue and Expense. For example, increasing the discount rate by 1.0% results in a decrease to the claims liability of \$10 million (2021 \$6.8 million).

Assumption	Movements in variable	Impact on net outstanding claims liability	
		2022 \$m	2021 \$m
Claims inflation rate	+1.0%	+8.0	+4.2
	-1.0%	-7.6	-4.4
Claims inflation rate	+5.0%	+57.5	n/a
	-5.0%	-45.7	n/a
Discount rate	+1.0%	-9.9	-6.8
	-1.0%	+10.4	+7.3

Unexpired risk reserve

Premium liabilities are an estimate of the total value of net liabilities associated with the run-off of the unexpired risks as at 30 June 2022. Premium liabilities comprise several components:

- the net of reinsurance cost of future claims arising from unexpired risks
- the claims handling expenses for the future claims arising from unexpired risks
- the cost of policy administration for the run-off of unexpired risks
- the cost of reinsurance cover for the unexpired risks.

The estimate is set at a 75% probability of adequacy and discounted for the time value of money.

If the premium liabilities exceed the unearned premium reserve (UPR), an additional unexpired risk reserve is required to make up the extent of the shortfall. As at 30 June 2022 the UPR was greater than the premium liabilities and there is therefore no requirement to hold an unexpired risk reserve.

	Actual 2022 \$(000)	Unaudited budget 2022 \$(000)	Actual 2021 \$(000)
Outstanding claims liability			
Central estimate of outstanding claims liability	(465,036)	(146,833)	(349,117)
Claims handling expenses	(86,845)	(69,041)	(87,147)
Risk margin	(84,264)	(51,663)	(100,339)
Gross outstanding claims liability	(636,145)	(267,537)	(536,603)
Discounting	49,212	807	6,109
Discounted outstanding claims liability	(586,933)	(266,730)	(530,494)
Outstanding claims liability	(586,933)	(266,730)	(530,494)
Current	(181,192)	(93,995)	(173,383)
Non-current	(405,741)	(172,735)	(357,111)
	(586,933)	(266,730)	(530,494)
Reconciliation of movement in outstanding claims liability			
Outstanding claims liability at 1 July	(530,494)	(436,078)	(1,262,986)
Claims (expense)/reduction	(279,716)	(14,577)	21,813
Claims payments during the year	252,106	241,524	713,835
Claims handling expense in trade and other payables	(28,829)	(57,599)	(3,156)
Outstanding claims liability at 30 June	(586,933)	(266,730)	(530,494)

Development of claims for events

The following table shows the accumulation of the outstanding claims liability relative to the current estimate of ultimate claims expense. This is in relation to the 2010-2011 Canterbury earthquake sequence occurring since 4 September 2010 and the 2016 Kaikōura earthquake and includes additional costs incurred in other events.

There has been no accumulated outstanding claims liability relative to the current estimate of ultimate claims expense on the years now shown in the table below.

2022

2010-2011 Canterbury earthquake sequence ultimate claims expense estimate	Actual 2017 \$(000)	Actual 2012 \$(000)	Actual 2011 \$(000)	Actual Total \$(000)
At end of incident year	-	(611,000)	(11,711,529)	n/a
One year later	-	(893,567)	(11,594,000)	n/a
Two years later	-	(781,034)	(11,121,971)	n/a
Three years later	-	(442,947)	(10,965,420)	n/a
Four years later	-	(455,293)	(10,805,614)	n/a
Five years later	-	(417,165)	(10,823,437)	n/a
Six years later	-	(435,175)	(10,316,320)	n/a
Seven years later	-	(421,149)	(10,609,302)	n/a
Eight years later	-	(457,557)	(10,986,273)	n/a
Nine years later	-	(459,291)	(11,383,580)	n/a
Ten years later	-	(470,831)	(11,488,944)	n/a
Eleven years later	-	n/a	(11,771,346)	n/a
Current estimate of ultimate claims expense	-	(470,831)	(11,771,346)	(12,242,177)
Cumulative payments	-	442,161	11,288,333	11,730,494
Outstanding claims liability (undiscounted)	-	(28,670)	(483,013)	(511,683)
Discount to present value	-	2,700	45,821	48,521
Outstanding claims liability (discounted)	-	(25,970)	(437,192)	(463,162)
2010-2011 Canterbury event risk margin				(70,648)

2022 (continued)

Kaikōura earthquake ultimate claims expense estimate	Actual 2017 \$(000)	Actual 2012 \$(000)	Actual 2011 \$(000)	Actual Total \$(000)
At end of incident year	(544,022)	-	-	n/a
One year later	(615,947)	-	-	n/a
Two years later	(648,432)	-	-	n/a
Three years later	(655,200)	-	-	n/a
Four years later	(663,843)	-	-	n/a
Five years later	(667,809)	-	-	n/a
Current estimate of ultimate claims expense	(667,809)	-	-	(667,809)
Cumulative payments	655,471	-	-	655,471
Outstanding claims liability (undiscounted)	(12,338)	-	-	(12,338)
Discount to present value	262	-	-	262
Outstanding claims liability (discounted)	(12,076)	-	-	(12,076)
2016 Kaikōura event risk margin				(5,348)
Other events				
Other claims (expected to be settled within a year)				(27,432)
Other risk margin				(8,267)
Outstanding claims liability (85% probability of adequacy, discounted)				(586,933)

2021

2010-2011 Canterbury earthquake sequence ultimate claims expense estimate	Actual 2017 \$(000)	Actual 2012 \$(000)	Actual 2011 \$(000)	Actual Total \$(000)
At end of incident year	-	(611,000)	(11,711,529)	n/a
One year later	-	(893,567)	(11,594,000)	n/a
Two years later	-	(781,034)	(11,121,971)	n/a
Three years later	-	(442,947)	(10,965,420)	n/a
Four years later	-	(455,293)	(10,805,614)	n/a
Five years later	-	(417,165)	(10,823,437)	n/a
Six years later	-	(435,175)	(10,316,320)	n/a
Seven years later	-	(421,149)	(10,609,302)	n/a
Eight years later	-	(457,557)	(10,986,273)	n/a
Nine years later	-	(459,291)	(11,383,580)	n/a
Ten years later	-	n/a	(11,488,944)	n/a
Current estimate of ultimate claims expense	-	(459,291)	(11,488,944)	(11,948,235)
Cumulative payments	-	432,977	11,100,588	11,533,565
Outstanding claims liability (undiscounted)	-	(26,314)	(388,356)	(414,670)
Discount to present value	-	391	5,677	6,068
Outstanding claims liability (discounted)	-	(25,923)	(382,679)	(408,602)
2010-2011 Canterbury event risk margin				(92,952)

2021 (continued)

Kaikōura earthquake ultimate claims expense estimate	Actual 2017 \$(000)	Actual 2012 \$(000)	Actual 2011 \$(000)	Actual Total \$(000)
At end of incident year	(544,022)	-	-	n/a
One year later	(615,947)	-	-	n/a
Two years later	(648,432)	-	-	n/a
Three years later	(655,200)	-	-	n/a
Four years later	(663,843)	-	-	n/a
Current estimate of ultimate claims expense	(633,843)	-	-	(663,843)
Cumulative payments	651,790	-	-	651,790
Outstanding claims liability (undiscounted)	(12,053)	-	-	(12,053)
Discount to present value	11	-	-	11
Outstanding claims liability (discounted)	(12,042)	-	-	(12,042)
2016 Kaikōura event risk margin				(3,961)

Other events

Other claims (expected to be settled within a year)	(9,510)
Other risk margin	(3,426)
Outstanding claims liability (85% probability of adequacy, discounted)	(530,494)

Settlement of outstanding claims liability

The table below reflects how Toka Tū Ake EQC expects the outstanding claims liability to be settled.

	2023 \$(000)	2024 \$(000)	2025 \$(000)	2026 and beyond \$(000)	Total \$(000)
Outstanding claims liability – central estimate	155,375	110,025	70,625	166,644	502,669
Risk margin	25,853	18,272	11,787	28,352	84,264
Total outstanding claims liability	181,228	128,297	82,412	194,996	586,933

3. Gross earned premiums

Premium income represents premiums collected and paid to Toka Tū Ake EQC by insurance companies (net of discounts), brokers and individuals with EQCover. Gross earned premiums are classified as exchange transactions. In accordance with Section 24(2) of the Act, Toka Tū Ake EQC receives declarations provided by insurance companies and brokers that all premiums collected have been distributed to Toka Tū Ake EQC.

Premium income is recognised using the 24ths method to approximate the contract period over which the premiums are earned. The underlying assumption of the 24ths method is that all premiums booked during a particular month can be approximated by an annual policy that incepts during the middle of the month. Premiums not earned at balance date are recorded in the Statement of Financial Position as an unearned premium liability. Premiums receivable are reported net of discounts paid to collecting agencies in the Statement of Financial Position and are expected to be receipted within 12 months.

	Actual 2022 \$(000)	Unaudited budget 2022 \$(000)	Actual 2021 \$(000)
Gross written premiums	545,176	551,059	541,634
Less discount to insurers	(13,584)	(13,440)	(13,259)
	531,592	537,619	528,375
Movement in unearned premium liability	(3,544)	(11,053)	(8,143)
Premiums	528,048	526,566	520,232

	Actual 2022 \$(000)	Unaudited budget 2022 \$(000)	Actual 2021 \$(000)
Unearned premium liability at 1 July	(272,767)	(263,840)	(264,624)
Deferral of premiums on contracts written in the period	(276,311)	(274,893)	(272,767)
Earning of premiums written in previous periods	272,767	263,840	264,624
Unearned premium liability at 30 June	(276,311)	(274,893)	(272,767)

4. Other revenue and other expense

Other revenue represents reimbursements received from the Crown and Southern Response in relation to the Ministerial directions and the respective services and agency agreements reimbursements received during the year plus other nominal amounts.

On 7 October 2019 Toka Tū Ake EQC entered into an agreement with the Crown that allowed owners of On-sold over-cap properties in Canterbury to apply for an ex-gratia government payment to have their homes repaired. This process is facilitated by Toka Tū Ake EQC and reimbursed in full by the Crown in arrears after each quarter end, resulting in the revenue offsetting the expenses in full. During the year there were ex-gratia payments totalling \$104.6 million (2021: \$40.9 million) paid out to qualifying owners of On-sold properties on behalf of the Crown. Applications were received during the period August 2019 through to October 2020 and will continue to be settled as claims are processed.

On 11 October 2019 Toka Tū Ake EQC entered into an agreement with Southern Response whereby Toka Tū Ake EQC acts as agent in managing Southern Response's remaining customers. The costs incurred in fulfilling this contract (refer Note 8), plus an overhead margin, are reimbursed in arrears after each quarter end; resulting in a margin of \$0.5 million (2021: \$0.6 million).

	On-sold agency agreement \$(000)	Southern Response agency agreement \$(000)	Other \$(000)	Total \$(000)
2022				
Reimbursement of expenses	9,927	1,481	-	11,408
Other	-	-	10	10
Total other revenue	9,927	1,481	10	11,418
Expenses	(9,927)	(952)	-	(10,879)
	-	529	10	539

2021	On-sold agency agreement \$(000)	Southern Response agency agreement \$(000)	Other \$(000)	Total \$(000)
Reimbursement of expenses	8,600	2,138	-	10,738
Other	-	-	15	15
Total other revenue	8,600	2,138	15	10,753
Expenses	(8,600)	(1,500)	-	(10,100)
	-	638	15	653

5. Other receivables

The majority of other receivables represents receipts for the outstanding On-sold agency agreement and Southern Response agency agreement reimbursement. Also included is \$4 million receivable from Aon which relates to activity which was performed in June 2022 for which Toka Tū Ake EQC had requested a reinsurance recovery but had not yet been received. Aon are the reinsurance brokers who manage the collection of reinsurance monies on behalf of Toka Tū Ake EQC. Payment has been received for these outstanding items at the time of signing these financial statements.

	Actual 2022 \$(000)	Unaudited budget 2022 \$(000)	Actual 2021 \$(000)
Other receivables	30,744	11,751	17,493
Less: provision for impairment	(32)	-	(1)
Total other receivables	30,712	11,751	17,492

Reconciliation of movements in the provision for impairment

Provision for impairment at 1 July	(1)	-	(1)
Impairment expense in the year	(31)	-	-
Provision for impairment at 30 June	(32)	-	(1)

Other receivables are monitored based on a combination of factors including the evaluation of aging balances, previous collection history and other qualitative and quantitative factors. Toka Tū Ake EQC considers the probability of default upon initial recognition of the other receivables and throughout the period and provides for other receivables expected to be impaired. Toka Tū Ake EQC recognises an allowance for expected credit losses in the Statement of Comprehensive Revenue and Expense. When another receivable is deemed uncollectible, it is written off against the provision account for other receivables. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Revenue and Expense.

The aging profile for other receivables and impairment at year end is detailed below.

	2022 Expected loss rate	2022 Gross \$(000)	2022 Impairment \$(000)	2022 Net \$(000)	2021 Expected loss rate	2021 Gross \$(000)	2021 Impairment \$(000)	2021 Net \$(000)
Not past due	0.0%	29,968	-	29,968	0.0%	17,142	-	17,142
Past due 1-30 days	0.0%	742	-	742	0.0%	-	-	-
Past due 31-60 days	0.0%	-	-	-	0.0%	45	-	45
Past due 61-90 days	0.0%	-	-	-	0.0%	9	-	9
Past due > 90 days	92.8%	34	(32)	2	0.0%	297	(1)	296
Total		30,744	(32)	30,712		17,493	(1)	17,492

6. Reinsurance and other recoveries

Reinsurance recoveries are the expected reimbursement of claims settlements and claims handling costs that Toka Tū Ake EQC can recover under its reinsurance contracts.

Reinsurance and other recoveries received or receivable on paid claims, reported claims not yet paid, claims incurred but not reported (IBNR), and claims incurred but not enough reported (IBNER) are recognised as revenue in the Statement of Comprehensive Revenue and Expense. They are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

The amounts that form part of the Statement of Comprehensive Revenue and Expense are represented below:

	Actual 2022 \$(000)	Unaudited budget 2022 \$(000)	Actual 2021 \$(000)
Gross reinsurance recoveries	34,539	-	220,523
Impact of discounting	(15,418)	202	(852)
Total discounted reinsurance and other recoveries	19,121	202	219,672

The below represents amounts that form part of the Statement of Financial Position:

Gross reinsurance receivable	165,632	80,433	183,344
Discounting	(17,511)	(204)	(2,092)
Discounted reinsurance receivable	148,121	80,229	181,252
Sundry receivables (i)	2,306	1,236	1,833
Less: provision for impairment (i)	(2,306)	(1,236)	(1,833)
Total recoveries	-	-	-
Total outstanding reinsurance and other recoveries	148,121	80,229	181,252
Current	10,645	80,229	72,632
Non-current	137,476	-	108,620
	148,121	80,229	181,252
Reconciliation of movement in outstanding reinsurance and other recoveries			
Outstanding reinsurance and other recoveries at 1 July	181,252	163,747	528,984
Reinsurance and other recoveries recognised in the year	19,121	202	219,672
Reinsurance and other recoveries received during the year	(52,252)	(83,720)	(567,404)
Outstanding reinsurance and other recoveries at 30 June	148,121	80,229	181,252

(i) Sundry receivables relates to invoices for Canterbury Home Repair Programme excesses.

	Actual 2022 \$(000)	Unaudited budget 2022 \$(000)	Actual 2021 \$(000)
Reconciliation of movements in the provision for impairment			
Provision for impairment at 1 July	(1,833)	(1,236)	(1,236)
Impairment expense in the year	(473)	-	(597)
Utilised during the year	-	-	-
Provision for impairment at 30 June	(2,306)	(1,236)	(1,833)

The reinsurance recoveries relate to the Canterbury earthquakes included within the outstanding claims liability in Note 2, which occurred in the 2010-2011 financial years. No reinsurance recoveries relate to events in the current financial year. The estimated value of reinsurance recoveries is calculated using the same stochastic process as for the ultimate claims costs. Under approximately 9% of scenarios costs for the Darfield earthquake will exceed the total of the reinsurance programme for that event. This means that the expected reinsurance recoveries are less than the expected claims costs for this event. At 30 June 2022, the total actuarial valuation of reinsurance recoveries increased by \$58 million to \$4,880 million.

Cash flow projections for reinsurance recoveries are discounted for the time value of money. The discount is reassessed at the end of each financial year to account for changes to interest rates, payment patterns and settlement periods. At 30 June 2022, the discount for the outstanding reinsurance recoveries was increased by \$15.4 million to \$17.5 million. The assumptions used in estimating the recoveries can be found in Note 2.

Sundry receivables are monitored based on a combination of factors including the evaluation of aging balances, previous collection history and other qualitative and quantitative factors. Toka Tū Ake EQC considers the probability of default upon initial recognition of the sundry receivables and throughout the period and provides for sundry receivables expected to be impaired. Toka Tū Ake EQC recognises an allowance for expected credit losses in the Statement of Comprehensive Revenue and Expense. When a sundry receivable is deemed uncollectible, it is written off against the provision account for sundry receivables. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Revenue and Expense.

The aging profile for reinsurance receivable and impairment at year end is detailed below:

	2022 Expected loss rate	2022 Gross \$(000)	2022 Impairment \$(000)	2022 Net \$(000)	2021 Expected loss rate	2021 Gross \$(000)	2021 Impairment \$(000)	2021 Net \$(000)
Not past due	100%	2,306	(2,306)	-	100%	1,833	(1,833)	-
Past due 1-30 days	0.0%	-	-	-	0.0%	-	-	-
Past due 31-60 days	0.0%	-	-	-	0.0%	-	-	-
Past due 61-90 days	0.0%	-	-	-	0.0%	-	-	-
Past due > 90 days	0.0%	-	-	-	0.0%	-	-	-
Total		2,306	(2,306)	-		1,833	(1,833)	-

7. Claims (expense)/reduction

Claims expenditure represents payments for claims, claims handling costs, the movement in the liability for outstanding claims and the associated risk margin. The claims expense for the 2021-2022 financial year is \$280 million (2021: claims reduction \$22 million).

Current year claims expense comprises amounts paid (or estimates of amounts payable) in relation to natural disaster damage sustained during the current financial year. Prior years' claims expense relates to amounts paid (or estimates of amounts payable) where the damage occurred in prior financial years. Changes to prior years' claims expense occurs when the actual or estimated settlement values of claims changed during the current financial year.

During the current year, there were also further claims incurred for which the paid and payable value is \$52 million (2021: \$36 million).

	2022 Current year \$(000)	2022 Prior years \$(000)	2022 Total \$(000)	2021 Current year \$(000)	2021 Prior years \$(000)	2021 Total \$(000)
Gross claims expense - undiscouted	(52,572)	(269,995)	(322,567)	(36,415)	54,283	17,868
Discounting - on total outstanding claims	428	42,423	42,851	31	3,914	3,945
Gross claims expense - discounted	(52,144)	(227,572)	(279,716)	(36,384)	58,197	21,813

Claims handling expenses are costs incurred by Toka Tū Ake EQC in relation to the processing and administration of claims received. The following tables show the costs related to the 2010-2011 Canterbury earthquake sequence and the 2016 Kaikōura earthquake.

	Actual 2022 \$(000)	Actual 2021 \$(000)
Canterbury claims handling expenses incurred by expense type		
2010-2011 Canterbury earthquake sequence		
Amortisation of intangibles	(176)	(179)
Fees paid to the auditor		
Audit fees (refer Note 8)	(163)	(140)
Bad debts	(473)	(260)
Call centres and claims management - third party	(808)	(903)
Claims administrators and contractors	(7,174)	(9,141)
Claims assessment fees	(92)	(133)
Depreciation	(2)	(18)
Employee remuneration and benefits	(11,341)	(12,429)
Engineers and consultants	(4,651)	(5,122)
Office rental	(843)	(644)
Other costs	(2,383)	(2,413)
Restructuring costs	-	(14)
Superannuation contribution costs	(327)	(357)
Travel and accommodation	(109)	(170)
Canterbury claims handling expenses incurred	(28,542)	(31,923)

	Actual 2022 \$(000)	Actual 2021 \$(000)
Kaikōura claims handling expenses incurred by expense type		
2016 Kaikōura earthquake		
Employee remuneration and benefits	(11)	(91)
Engineers and consultants	(276)	(114)
Superannuation contribution costs	-	(2)
Kaikōura claims handling expenses incurred	(287)	(207)

8. Other operating expenses (excluding claims expense and Canterbury and Kaikōura claims handling expense)

The operating expenses of Toka Tū Ake EQC are allocated across recovery, resilience, risk financing and readiness. Expenditure is allocated to these functions by directly attributing costs as far as possible. Indirect costs are apportioned based on the average number of full-time equivalents employed during the financial year and are allocated between recovery, resilience, risk financing and readiness. Prior to 2022, expenditure was allocated to two functions: future event preparation and event response. The 2021 actuals have been reclassified to the four new functions to align with the current year and budget figures.

Costs grouped by expense type	Note	Actual	Unaudited budget	Actual
		2022	2022	2021
		\$(000)	\$(000)	\$(000)
Advertising and publicity		(752)	(633)	(551)
Amortisation of intangibles		(7,727)	(7,089)	(4,913)
Bad debts		(32)	-	-
Fees paid to the auditor				
Audit fees*		(175)	(162)	(163)
Commissioners' fees		(327)	(258)	(261)
Consultants and contractors		(11,438)	(10,753)	(14,398)
Depreciation		(1,152)	(1,024)	(3,382)
Employee remuneration and benefits		(18,714)	(21,381)	(15,200)
Impairment of WIP		(218)	-	-
Grants for research		(6,847)	(6,987)	(6,158)
GeoNet operating costs		(11,983)	(11,958)	(9,432)
Office rental		(823)	(948)	(945)
Onerous lease		7	-	(57)
Sponsorship		(841)	(992)	(465)
Superannuation contribution costs		(547)	(583)	(443)
Technology costs		(13,208)	(10,580)	(11,596)
Restructuring costs		-	-	(118)
Outsourced service providers (i)		(7,995)	(7,681)	(9,314)
Project costs (ii)		(15,629)	(7,657)	(17,623)
Other administration costs		(2,669)	(2,357)	(2,934)
Loss on disposal	14	(9,916)	(7,269)	(223)
On-sold agreement expenses	4	(9,927)	(9,060)	(8,600)
SRES agreement expenses	4	(952)	(1,880)	(1,500)
Total other operating expenses (excluding claims expense and claims handling expense)		(121,865)	(109,252)	(108,276)

(i) Outsourced service provider costs relate to outsourced IT functionality as well as third party agency costs.

(ii) Project costs include the acceleration of a programme to modernise technology and data systems, the embedding of the operating model implemented in 2020-2021 financial year and continued development of a new loss modelling platform.

* Total audit fees include payments to EY for the following:

	Actual 2022 \$(000)	Actual 2021 \$(000)
Audit of the financial statements	(338)	(303)
Total fees paid to auditors	(338)	(303)

9. Investment revenue

Investment revenue is generated from interest on term deposits.

	Actual 2022 \$(000)	Unaudited budget 2022 \$(000)	Actual 2021 \$(000)
Short-term investments			
Interest income	1,343	600	1
Total investment revenue	1,343	600	1

10. Commitments

The below tables reflect the committed costs that are not included in the Statement of Financial Position.

Reinsurance contracts

Toka Tū Ake EQC has signed contracts for reinsurance in the international market.

	Actual 2022 \$(000)	Actual 2021 \$(000)
Operating commitment		
Not later than one year	237,895	215,584
Later than one year but not later than two years	-	24,196
Total reinsurance contract commitments	237,895	239,780

Museums

Toka Tū Ake EQC provides sponsorship for specific exhibitions at museums across New Zealand. Toka Tū Ake EQC regularly reviews the contracts.

	Actual 2022 \$(000)	Actual 2021 \$(000)
Operating commitment		
Not later than one year	383	405
Later than one year but not later than two years	340	380
Later than two years but not later than five years	-	40
Total museum commitments	723	825

Public education

Toka Tū Ake EQC provides sponsorship for other public education across New Zealand. Toka Tū Ake EQC regularly reviews the contracts.

	Actual 2022 \$(000)	Actual 2021 \$(000)
Operating commitment		
Not later than one year	200	200
Total public education commitments	200	200

Sponsorships and partnerships

Toka Tū Ake EQC partners with associations/societies and sponsors activities (such as conferences and awards) to ensure the uptake of research and encourage collaboration.

	Actual 2022 \$(000)	Actual 2021 \$(000)
Operating commitment		
Not later than one year	211	-
Later than one year but not later than two years	100	-
Total sponsorship and partnership commitments	311	-

Research grants

Toka Tū Ake EQC provides discretionary grants for natural hazards research and research dissemination. Discretionary grants are those where Toka Tū Ake EQC has no obligation to award on receipt of the grant application. They are recognised as expenditure when the contract is executed, and the performance criteria (on which approval of the grant was based) are met. Toka Tū Ake EQC also awards Biennial and University Research Programme grants during the financial year.

	Actual 2022 \$(000)	Actual 2021 \$(000)
Operating commitment		
Not later than one year	2,813	4,558
Later than one year but not later than two years	442	2,222
Later than two years but not later than five years	344	-
Total research grant commitments	3,599	6,780

Claims management system

Toka Tū Ake EQC outsources to Tenzing (2021: 4impact) to manage the overall delivery of services, including third-party supply relationships, for the claims management system. The change of supplier took place on 1 April 2022.

	Actual 2022 \$(000)	Actual 2021 \$(000)
Operating commitment		
Not later than one year	1,115	4,035
Later than one year but not later than two years	847	1,500
Later than two years but not later than five years	892	-
Total claim management system commitments	2,854	5,535

Data and information

Toka Tū Ake EQC has a contract with GNS Science for the development and implementation of a seismic monitoring and reporting network (Geonet) and with Tonkin + Taylor for the NZ Geotechnical Database.

	Actual 2022 \$(000)	Actual 2021 \$(000)
Operating commitment		
Not later than one year	12,050	11,958
Total data and information commitments	12,050	11,958

Building leases

Operating leases, where the lessor substantially retains the risks and rewards of ownership, are recognised in a systematic manner over the term of the lease. Lease incentives received are recognised evenly over the term of the lease as a reduction in lease expense.

Toka Tū Ake EQC has various leases on premises in Wellington and Christchurch and the below commitment represents lease terms expected to be renewed.

	Actual 2022 \$(000)	Actual 2021 \$(000)
Operating commitment		
Not later than one year	1,731	2,031
Later than one year but not later than two years	1,559	1,559
Later than two years but not later than five years	1,973	2,902
Later than five years	168	798
Total building lease commitment	5,431	7,290

Finance leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to Toka Tū Ake EQC. Assets held under a finance lease are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. Toka Tū Ake EQC also recognises the associated lease liability at the inception of the lease, at the same amount as the capitalised leased asset. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the Statement of Comprehensive Revenue and Expense.

The below commitment represents lease terms expected to be renewed.

	Actual 2022 \$(000) Minimum payment	Actual 2022 \$(000) Present value of payment	Actual 2021 \$(000) Minimum payment	Actual 2021 \$(000) Present value of payment
Not later than one year	30	24	30	22
Later than one year but not later than two years	30	27	30	24
Later than two years but not later than five years	14	13	43	39
Total finance lease commitment	74	64	103	85
Less amounts representing finance charges	(10)	-	(18)	-
Present value of minimum lease payment	64	64	85	85

11. Major budget variances

Statement of Comprehensive Revenue and Expense

Premiums

Premiums were higher than budget, reflecting additional insured properties.

Outward reinsurance premium expense

Reinsurance expense was higher than the level assumed in the budget, due to the structure of the confirmed programme.

Reinsurance and other recoveries

Reinsurance and other recoveries were higher than budget, reflecting an increase in the expected level of reinsurance recoveries from the Canterbury earthquake sequence following an increase in the central estimate for the September 2010 Canterbury event.

Claims (expense)/reduction

Claims expense is unfavourable to budget largely due to an increase in the central estimate for the Canterbury event. This was partially offset by a lower than expected number of claims from new events.

Other operating expenses

Higher operating expenses were mainly due to the programme to modernise technology and data systems, continued development of a new loss modelling platform, items that were budgeted as capital expenditure that did not meet the criteria to be capitalised as intangible

and accelerated depreciation of replaced intangible assets. Other expenses relate to costs incurred managing the Crown's On-sold programme and managing Southern Response's remaining claims which are reimbursed to Toka Tū Ake EQC.

Investment activities

Interest received from banking providers on invested funds.

Statement of Financial Position

Cash and cash equivalents

Cash and cash equivalents balance is \$150 million lower than budget due to \$150 million being put into Investments.

Reinsurance and other recoveries

Reinsurance receivables balance is \$74 million higher than budget, due mainly to the increase in the gross ultimate claims cost for Canterbury (partially offset by changes in the discounting).

Investments

Funds held in bank term deposits to access higher interest returns.

Outstanding claims liability

The outstanding claims liability is \$320 million higher than budgeted.

This is primarily due to Kaikōura and Canterbury settlements being made at a slower rate than anticipated and an increase in the gross ultimate costs for these events.

Statement of Cash Flows

Reinsurance and other recoveries

Reinsurance recoveries received are lower due to slower claim payments on the Canterbury event during the year.

On-sold agreement receipts

Slower On-sold payments has resulted in a lower level of reimbursements during the year.

Outward reinsurance

Outward reinsurance payments were above budget due to the timing of 2021 reinsurance premiums where the fourth quarter premiums were paid after 30 June 2021.

On-sold agreement costs

There were lower On-sold claim settlements during the year. Delays in settling claims and completing repairs have been driven by increased demand in the construction industry, building supply chain issues and delays due to COVID-19 lockdowns and illness.

Purchase of Intangibles

There were lower capex spend on intangibles driven by items budgeted as capital expenditure not meeting the criteria to be capitalised.

Purchase of Investments

Funds invested in bank term deposits during the year.

12. Natural Disaster Fund

The Natural Disaster Fund (NDF) is managed in accordance with Section 13(3) of the Act, which states: “All money in bank accounts established by the Commission, and all investments and other assets of the Commission, shall be deemed to form part of the Fund”.

The purpose of the NDF is to make sure that claims for damage can be paid out in the event of a natural disaster. Under the Act Toka Tū Ake EQC are required to administer the NDF to protect its value, including through the investment of money held in the fund. The EQCover levies paid as part of fire insurance premiums are deposited in the NDF. Toka Tū Ake EQC then uses the money in the NDF to do its job under the Act. This includes:

- settling claims made to Toka Tū Ake EQC;
- purchasing reinsurance from international financial markets;
- meeting the costs of administering the EQCover scheme; and
- improving understanding of natural hazard risk and how to reduce it by funding research and public education.

Capitalised Reserves

1,500,000,000 ordinary shares of \$1.00 each deemed to have been issued and paid up in full from the Fund on 1 October 1988.

Capital management

The NDF comprises retained surpluses, deficits and capitalised reserves. Toka Tū Ake EQC is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings (of which Toka Tū Ake EQC has an exemption), acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

Toka Tū Ake EQC prudently manages reinsurance, revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure it effectively achieves its objectives and purpose, whilst remaining a going concern.

Commission solvency

Toka Tū Ake EQC has exposure to liabilities estimated to be in excess of its current level of assets. In the event that assets are insufficient to meet its liabilities, the Crown, under Section 16 of the Act, is obliged to provide, by way of grant or advance, sufficient funds to meet the shortfall (refer also Note 1).

13. Financial instruments

A financial instrument is recognised if Toka Tū Ake EQC becomes a party to the contractual provisions of the instrument.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and business model for managing them.

Financial assets are initially measured at fair value and include directly attributable transaction costs. They are measured subsequently at either amortised cost or fair value, depending on their classification. A financial asset is derecognised if contractual rights to the cash flows from the financial asset expire or if Toka Tū Ake EQC transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset.

Purchases and sales of financial assets are accounted for at the date that Toka Tū Ake EQC commits itself to purchase or sell the asset.

All financial liabilities are initially recognised at fair value and include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification. Financial liabilities are derecognised if obligations specified in the contract expire, are discharged or cancelled. Financial liabilities subsequently measured at amortised cost include trade and other payables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash in transit, bank call deposits and term deposits of less than three months.

The carrying amount of cash approximates its fair value. Cash is subsequently measured at amortised cost on the basis of the business model for managing financial assets and the contractual cash flow characteristics of the financial asset.

Investments

Investments are term deposits for periods of greater than three months but less than one year. The carrying amount of investments approximates their fair value.

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Receivables are subsequently measured at amortised cost, on the basis of the business model for managing financial assets and the contractual cash flow characteristics of the financial asset, using the effective interest method less any impairment. Premiums receivable and reinsurance receivable are recognised at amortised cost.

Impairment of financial assets

Toka Tū Ake EQC recognises an allowance for expected credit losses for financial assets measured at amortised cost. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that Toka Tū Ake EQC expects to receive, discounted at an approximation of the original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Toka Tū Ake EQC has established a provision matrix to measure expected credit losses for non-insurance assets.

Trade and other payables

Trade and other payables are recognised when Toka Tū Ake EQC becomes obliged to make future payments resulting from the purchase of goods and services. These are measured at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received.

Credit rating

Toka Tū Ake EQC is not required to have a credit rating.

Credit risk

Toka Tū Ake EQC limits its exposure to very large-scale natural disasters through the purchase of reinsurance. Toka Tū Ake EQC is exposed to the credit risk of a reinsurer defaulting on its obligations. Note 18 explains how Toka Tū Ake EQC minimises the risk of default. Toka Tū Ake EQC reduces credit risk by placing reinsurance with counterparties who have a credit rating of AAA to A- from Standard and Poor's (i.e. from "extremely strong" to "strong") and limiting its exposure to any one reinsurer or related group of reinsurers.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

	Actual 2022 \$(000)	Actual 2021 \$(000)
Credit Ratings – financial instruments		
Counterparties with credit ratings		
Cash and cash equivalents		
AA-	107,574	300,702
	107,574	300,702
Investments		
AA	30,023	-
AA-	120,817	-
	150,840	-
Reinsurance recoveries		
AA+	563	1,159
AA	6,028	8,276
AA-	64,744	86,442
A+	48,021	67,450
A	8,043	11,915
A-	20,722	24,669
	148,121	199,911
Premiums receivable		
AA+	120	-
AA-	48,855	50,269
A+	34,900	11,143
A	9,468	8,313
A-	10,114	29,084
Other	329	110
	103,786	98,919
Counterparties without credit ratings		
Other receivables	30,712	17,492

The Insurance Prudential Supervision Act 2010 (IPSA) repealed the Insurance Companies (Ratings and Inspection) Act 1994 from 7 March 2012. The IPSA does not require Toka Tū Ake EQC to obtain a licence. Toka Tū Ake EQC is therefore not obliged by the current insurance legislation to hold a rating.

Liquidity risk

Liquidity risk is the risk of having insufficient liquid funds available to meet claims, and trade and other payables as they fall due.

The majority of trade payables outstanding at balance date will be settled within 12 months (2021: 12 months).

14. Property, plant and equipment

Property, plant and equipment are classified as either Non-Canterbury, Canterbury, GeoNet or Work in Progress (WIP). Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to Toka Tū Ake EQC and the cost of the item can be measured reliably. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset.

Realised gains and losses arising from the disposal of property, plant and equipment are recognised in the Statement of Comprehensive Revenue and Expense in the period in which the transaction occurs.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that the future economic benefits or service potential associated with the item will flow to Toka Tū Ake EQC and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the Statement of Comprehensive Revenue and Expense in the period in which the transaction occurs.

Finance leases

Assets held under a finance lease are initially measured at the fair value of the leased asset at the commencement of the lease. Toka Tū Ake EQC also recognises the associated lease liability at the inception of the lease, at the same amount as the capitalised leased asset. Finance leases are subsequently measured at cost less accumulated depreciation and accumulated.

Lease liabilities

Toka Tū Ake EQC also recognises the associated lease liability at the inception of the finance lease, at the same amount as the capitalised leased asset. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the Statement of Comprehensive Revenue and Expense.

Depreciation

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its estimated useful life. The estimated useful lives of different classes of property, plant and equipment are reviewed annually and are as follows:

Non-Canterbury furniture and equipment	10 years
Non-Canterbury leasehold improvements	2-10 years
Non-Canterbury computer hardware	3-10 years
Canterbury furniture and equipment	3-12 years
Canterbury computer hardware	1-3 years

Assets held for sale (GeoNet)

GNS Science administers the design, engineering, operation and maintenance of New Zealand's geological hazard monitoring system (GeoNet) under an agreement with Toka Tū Ake EQC. The services performed by GNS Science include the purchase, testing, installation and commissioning of capital equipment on behalf of Toka Tū Ake EQC.

The GeoNet assets, comprising buildings, computer equipment and other equipment, remained the property of Toka Tū Ake EQC as at 30 June 2021 with a book value of \$9.935 million. However, Toka Tū Ake EQC entered into an agreement with GNS Science to transfer the assets to GNS Science as at 1 July 2021. These assets were reclassified at net book value to held for sale in the Fixed Asset Register, and were included under held for sale in the Statement of Financial Position at 30 June 2021.

In these financial statements, the ownership of these assets has been transferred to GeoNet under common control accounting principles, and a loss on sale of \$9.9 million has been reflected in the Statement of Comprehensive Revenue and Expense.

2022

	Non-Canterbury			Canterbury	
	Furniture and equipment \$(000)	Leasehold improvements \$(000)	Computer hardware \$(000)	Furniture and equipment \$(000)	Computer hardware \$(000)
Cost					
At 1 July 2021	425	1,661	3,362	576	590
Additions	-	-	-	-	-
Transfer	517	-	110	-	-
Disposals	-	-	(176)	-	-
At 30 June 2022	942	1,661	3,296	576	590
Accumulated depreciation					
At 1 July 2021	(174)	(1,229)	(1,695)	(573)	(590)
Depreciation charge	(58)	(136)	(956)	(3)	-
Disposals	-	-	160	-	-
At 30 June 2022	(231)	(1,365)	(2,490)	(576)	(590)
Carrying amounts at 30 June 2022	711	297	806	-	-

Finance lease assets

The carrying value of property, plant and equipment held by Toka Tū Ake EQC under finance leases at 30 June 2022 is \$0.06 million (2021: \$0.1 million) and is included within Non-Canterbury computer hardware. This relates to printing equipment leased by Toka Tū Ake EQC. There were no additions during the year (2021: \$0.1 million).

* Held for sale assets comprised GeoNet assets with a total net book value of \$9.935m at 30 June 2021 which were sold on 1 July 2021.

	Held for Sale*			Total \$(000)	Work in progress \$(000)	Total \$(000)
	Buildings \$(000)	Computer equipment \$(000)	Other equipment \$(000)			
	683	4,462	44,511	56,272	-	56,272
	-	-	-	-	637	637
	-	-	-	627	(627)	-
	(683)	(4,462)	(44,511)	(49,832)	-	(49,832)
	-	-	-	7,067	10	7,077
	(473)	(4,267)	(34,981)	(43,984)	-	(43,984)
	-	-	-	(1,153)	-	(1,153)
	473	4,267	34,981	39,881	-	39,881
	-	-	-	(5,255)	-	(5,255)
	-	-	-	1,814	10	1,824

2021

	Non-Canterbury			Canterbury	
	Furniture and equipment \$(000)	Leasehold improvements \$(000)	Computer hardware \$(000)	Furniture and equipment \$(000)	Computer hardware \$(000)
Cost					
At 1 July 2020	409	2,033	2,559	576	808
Additions	16	41	849	-	-
Transfer	-	-	163	-	-
Disposals	-	(412)	(208)	-	(218)
Impairment	-	-	-	-	-
At 30 June 2021	425	1,661	3,362	576	590
Accumulated depreciation					
At 1 July 2020	(139)	(1,229)	(1,042)	(571)	(808)
Depreciation charge	(35)	(201)	(850)	(2)	-
Disposals	-	201	197	-	218
Transfer	-	-	-	-	-
At 30 June 2021	(174)	(1,229)	(1,695)	(573)	(590)
Carrying amounts at 30 June 2021	251	432	1,517	3	-

	Held for Sale			GeoNet					
	Buildings \$(000)	Computer equipment \$(000)	Other equipment \$(000)	Buildings \$(000)	Computer equipment \$(000)	Other equipment \$(000)	Total \$(000)	Work in progress \$(000)	Total \$(000)
	-	-	-	683	4,462	40,196	51,726	-	51,726
	-	-	-	-	-	4,315	5,221	163	5,384
	683	4,462	44,511	(683)	(4,462)	(44,511)	163	(163)	-
	-	-	-	-	-	-	(838)	-	(838)
	-	-	-	-	-	-	-	-	-
	683	4,462	44,511	-	-	-	56,727	-	56,272
	-	-	-	(447)	(4,144)	(32,819)	(41,199)	-	(41,109)
	-	-	-	(26)	(123)	(2,162)	(3,401)	-	(3,401)
	-	-	-	-	-	615	615	-	615
	(473)	(4,267)	(34,981)	473	4,267	34,981	-	-	-
	(473)	(4,267)	(34,981)	-	-	-	(43,984)	-	(43,984)
	210	195	9,530	-	-	-	12,287	-	12,287

15. Intangible assets

Intangible assets are classified as either Non-Canterbury, Canterbury or WIP. Intangible assets are recorded at cost less accumulated amortisation and impairment losses.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific knowledge or understanding, is recognised in the Statement of Comprehensive Revenue and Expense when incurred. Toka Tū Ake EQC does not undertake development of new products or processes other than software referred to below.

Software acquisition and development

Software development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and Toka Tū Ake EQC has control of the use of the asset and intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the Statement of Comprehensive Revenue and Expense when incurred.

Capitalised software development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that the future economic benefits or service potential associated with the item will flow to Toka Tū Ake EQC and the cost of the item can be measured reliably.

The costs of day-to-day servicing of intangible assets are recognised in the Statement of Comprehensive Revenue and Expense in the period in which the transaction occurs.

Amortisation

Intangible assets are amortised on a straight-line basis at rates calculated to allocate the cost or valuation of an item of intangible assets, less any estimated residual value, over its estimated useful life. The estimated useful lives of different classes of intangible assets are reviewed annually and are as follows:

Non-Canterbury software	3-9 years
Non-Canterbury claims management system v8	4-5 years
Canterbury software	3-5 years

Impairment of intangible assets

The carrying amounts of intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in the Statement of Comprehensive Revenue and Expense.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is amortised replacement cost for an asset where the future economic benefits or service potential of the asset:

- are not primarily dependent on the asset's ability to generate net cash inflows; or
- Toka Tū Ake EQC would, if deprived of the asset, replace its remaining future economic benefits or service potential.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

Software-as-a-Service (SaaS)

Toka Tū Ake EQC recognises an intangible asset when, as a result of the SaaS arrangements, it receives rights beyond a right of access and controls the asset by exercising its power to obtain the future economic benefits or service potential flowing from the asset and restricts the access of others to those benefits. If the SaaS arrangement does not give Toka Tū Ake EQC an intangible asset due to the lack of control, the fees associated with the access to the software and configuration and customisation costs are recognised as an operating expense in the Statement of Comprehensive Revenue and Expense. Prepaid fees are initially recorded as prepayments in the Statement of Financial Position and recognised over the license period in the Statement of Comprehensive Revenue and Expense.

2022

	Non-Canterbury		Canterbury			
	Software \$(000)	Claims management system \$(000)	Software \$(000)	Total \$(000)	Work in progress \$(000)	Total \$(000)
Cost						
At 1 July 2021	26,199	12,223	3,431	41,853	218	42,070
Impairment	-	-	-	-	(218)	(218)
At 30 June 2022	26,199	12,223	3,431	41,853	-	41,853
Accumulated amortisation						
At 1 July 2021	(11,441)	(10,154)	(3,179)	(24,774)	-	(24,774)
Amortisation charge	(5,580)	(2,069)	(252)	(7,901)	-	(7,901)
At 30 June 2022	(17,021)	(12,223)	(3,431)	(32,675)	-	(32,675)
Carrying amounts at 30 June 2022	9,178	-	-	9,178	-	9,178

2021

	Non-Canterbury		Canterbury			
	Software \$(000)	Claims management system \$(000)	Software \$(000)	Total \$(000)	Work in progress \$(000)	Total \$(000)
Cost						
At 1 July 2020	12,028	12,223	3,431	27,682	4,463	32,145
Additions	-	-	-	-	9,925	9,925
Transfer	14,171	-	-	14,171	(14,171)	-
Impairment	-	-	-	-	-	-
At 30 June 2021	26,199	12,223	3,431	41,853	218	42,070
Accumulated amortisation						
At 1 July 2020	(9,015)	(7,667)	(3000)	(19,682)	-	(19,682)
Amortisation charge	(2,426)	(2,487)	(179)	(5,092)	-	(5,092)
At 30 June 2021	(11,441)	(10,154)	(3,179)	(24,774)	-	(24,774)
Carrying amounts at 30 June 2021	14,758	2,069	252	17,079	218	17,296

16. Trade and other payables

Toka Tū Ake EQC recognises a liability when there is a present obligation (legal or constructive) as the result of a past event, it is probable that expenditure will be required to settle the obligation, and a reliable estimate can be made of the obligation. Where the timing or amount of the obligation is uncertain, the obligation is recognised as a provision. Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their fair value.

	Actual 2022 \$(000)	Unaudited budget 2022 \$(000)	Actual 2021 \$(000)
Trade payables and accruals	(13,115)	(17,483)	(49,867)
Tax on reinsurance	(8,613)	(8,179)	(6,284)
	(21,728)	(25,662)	(56,151)

17. Provisions

Provisions are recorded at the estimated fair value of the expenditure required to settle the obligation. The provisions balance consists of a make-good provision for restoring leased premises to their original condition at the end of the lease term and a provision for employee benefits.

	Actual 2022 \$(000)	Unaudited budget 2022 \$(000)	Actual 2021 \$(000)
Provisions at 1 July	(3,966)	(2,054)	(2,386)
Created during the year	(3,112)	(2,149)	(4,541)
Utilised during the year	1,740	2,054	2,648
Released during the year	754	-	313
Provisions at 30 June	(4,584)	(2,149)	(3,966)

18. Unexpired risk liability reduction

At balance date, Toka Tū Ake EQC assesses the adequacy of the unearned premium liability by applying the liability adequacy test as specified by PBE IFRS 4 – Insurance Contracts. The liability adequacy test determines whether unearned premiums at balance date are sufficient to cover future claims arising from existing contracts.

The liability adequacy test compares the current estimate of the present value of the expected future cash flows relating to claims arising from the rights and obligations under current insurance contracts (with an additional risk margin included to allow for the inherent uncertainty) to the value of the unearned premium liability. If the value of the unearned premium liability is exceeded, the movement is recognised in the Statement of Comprehensive Revenue and Expense and recorded in the Statement of Financial Position as an unexpired risk liability.

The unexpired risk liability was determined as follows:

	Actual 2022 \$(000)	Unaudited budget 2022 \$(000)	Actual 2021 \$(000)
Cost of future claims from unexpected risks, undiscounted – central estimate	140,556	140,649	142,365
Administration and reinsurance costs for unexpired risks	128,872	126,400	115,473
Reinsurance recoveries, undiscounted	(22,497)	(20,371)	(17,305)
Net premium liabilities, undiscounted – central estimate	246,931	246,678	240,532
Discounting	(5,170)	(807)	(867)
Net premium liabilities, discounted – central estimate	241,761	245,871	239,665
Risk margin	-	-	-
Net premium liabilities	241,761	245,871	239,665
Unearned premium liability	(276,311)	(274,893)	(272,767)
Net surplus	(34,550)	(29,022)	(33,101)

Legislation recognises that premiums may be inadequate to meet its liabilities in any one year by enabling it to set aside any annual surplus free of tax in the NDF and, in the case of a very severe natural disaster (that exceeds both the NDF and reinsurance recoveries), by providing for a Crown guarantee.

The risk margin on premium liabilities for 2022 is 0% (2021: 0%). Toka Tū Ake EQC has adopted a 75% probability of adequacy for the premium liability balance. The risk margin for 2022 is \$0 (2021: \$0) because the distribution of potential claims is heavily skewed and, as a consequence, the central estimate (mean) outcome is greater than the 75th percentile.

Sensitivity analysis

In previous annual reports, sensitivity analyses were carried out on economic assumptions, including inflation, discount rates and demand surge. The result of these analyses produced results that were relatively immaterial compared to the key parameters detailed above. Consequently, this analysis has not been reproduced for this valuation.

19. Insurance risks

Toka Tū Ake EQC must accept exposure to claims for the natural disasters as specified in the Act. The premium level set by the Earthquake Commission Amendment Regulations 2019 is 20 cents for every \$100 of sum insured up to a maximum of \$300 per dwelling, excluding GST.

Reinsurance programme

Toka Tū Ake EQC limits its exposure to very large-scale natural disasters through the purchase of reinsurance with the objectives of:

- minimising the overall cost to secure mandated protection to New Zealand homeowners
- varying the reinsurance agreement terms and conditions as appropriate should the Crown determine a different risk profile under the natural disaster insurance scheme
- minimising the risk of default among reinsurers by limiting its exposure to any one reinsurer or related group of reinsurers, by applying the following policies:
 - setting a target for the overall programme at placement that achieves a weighted average score of Standard and Poor's (S&P) financial strength rating of A or better
 - normally placing reinsurance with organisations that have the following security ratings:
 - S&P: AAA to A- (i.e. from "extremely strong" to "strong"), or
 - AM Best: A++ to A- (i.e. from "superior" to "excellent")
 - diligent examination by management of the case for inclusion of a non-complying reinsurer, with the assistance of its reinsurance broker, and obtaining Board approval of any decision to include such reinsurer
 - ensured that any one reinsurer does not hold more than 25% of the total reinsurance programme.

Crown underwriting fee

Pursuant to Section 17 of the Act, Toka Tū Ake EQC is required to pay a fee to the Crown as determined by the Minister of Finance, for the guarantee provided under Section 16 of the Act (refer Notes 1 and 12). The Minister of Finance determined that \$10 million be paid for the year ended 30 June 2022 (2021: \$10 million).

Interest rate risk and credit risk

No direct exposure to interest rate risk results from the financial assets or liabilities arising from insurance or reinsurance contracts. Financial assets and liabilities arising from insurance or reinsurance contracts are stated in the Statement of Financial Position at the amount that best represents the maximum credit risk exposure at balance date. Refer to Note 13 for concentrations of credit risk.

Research and education

Toka Tū Ake EQC seeks to reduce the extent of claims incurred through research and public education programmes.

Outward reinsurance premium expense

Premiums paid to reinsurers are recognised by Toka Tū Ake EQC as outward reinsurance premium expense in the Statement of Comprehensive Revenue and Expense from the attachment date over the period of indemnity of the reinsurance contract, in accordance with the expected pattern of the incidence of risk.

Prepaid reinsurance premiums are included in outward reinsurance expense asset in the Statement of Financial Position and is paid quarterly in advance of the coverage period.

20. Contingent liabilities

A contingent liability is disclosed when a possible obligation arises from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Toka Tū Ake EQC. A contingent liability is also disclosed when a present obligation arising from past events is not recognised as a liability because it is not probable that settlement of the obligation will result in a cost to Toka Tū Ake EQC, or the amount of the obligation cannot be measured with sufficient reliability.

Toka Tū Ake EQC received around 469,000 claims from the 2010-2011 Canterbury earthquake sequence, on which some disputes and the possibility of litigation is inevitable. As at 30 June 2022, Toka Tū Ake EQC had 24 open litigation cases, which includes three cases with applications to proceed as a representative. Following the balance date, two of these applications have been resolved and one application was approved by the Court as certified to proceed. The expectation of costs from disputes and litigation under the Act has been considered by the actuaries in deriving the outstanding claims liability as at 30 June 2022.

21. Related party transactions

Toka Tū Ake EQC is a Crown Entity of the New Zealand Government and all significant transactions with the Crown result from Ministerial directions given under the Act or Section 103 of the Crown Entities Act 2004. Key management personnel for Toka Tū Ake EQC include all Commissioners, the Chief Executive and the Executive Leadership Team. The total remuneration of key management personnel and the number of individuals on a full-time equivalent (FTE) basis receiving remuneration from Toka Tū Ake EQC are:

	Actual 2022 \$(000)	Actual 2022 FTE	Actual 2021 \$(000)	Actual 2021 FTE
	Remuneration		Remuneration	FTE
Commissioners	330	8	254	7
Executive Leadership Team	2,748	10	3,331	10
	3,078	18	3,585	17

In addition to the above, and in accordance with confidential contractual agreements, no payments were made upon cessation of employment of key management personnel during the year (2021: \$79,382).

The related party transactions below are within the normal course of business. They are GST exclusive.

In the 2021-2022 financial year Toka Tū Ake EQC purchased services of \$938,365 (2021: \$843,308) from Kiwi Property Group Limited, a company of which M Daly is a Director. The services purchased related to the office rental management fee which includes the payment of rent and other monies payable under the relevant leases to be paid to Irongate Group through Kiwi Property Group Limited as agents. Toka Tū Ake EQC purchased services of \$44,000 (2021: \$34,743) in the year from Resilient Organisations Limited, an organisation of which E Seville is a Director. The services purchased related to a project to enhance community engagement on natural hazard risk. Toka Tū Ake EQC purchased services of \$92,400 in the year from BRANZ Limited, an organisation of which E Seville is a Director. The services purchased related to a project: Foundations on slopes. Toka Tū Ake EQC has a contractual agreement with Southern Response Earthquake Services Ltd, a company of which A James is a Director. Refer to Note 4 for details.

During the financial year, one (2021: none) employee was a close family member of key management personnel. The terms and conditions of their employment arrangement were no more favourable than Toka Tū Ake EQC would have adopted if there were no relationship to key management personnel.

22. Employee remuneration

The table below represents the number of Toka Tū Ake EQC personnel paid more than \$100,000 cash and cash equivalents during both the 2020-2021 and 2021-2022 financial years. Examples of cash and cash equivalents include gross salary, employee and employer superannuation contributions, long service leave, holiday and sick entitlements where utilised in the period, and the settlement of accrued holiday balances when an individual leaves employment with Toka Tū Ake EQC. The data in the table below has not been annualised so where an employee started or ended employment with Toka Tū Ake EQC partway through either of the years, only the remuneration during the relevant period is shown. These timing differences means direct comparisons cannot be made in a particular pay bracket between the two years.

In line with direction from the State Services Commission, the Chief Executive and Commissioners voluntarily took a 20% decrease in remuneration for the period between 1 May 2020 and 31 October 2020.

The numbers of employees whose total remuneration paid or payable for the financial year was in excess of \$100,000, in \$10,000 bands, are as follows (nil in remuneration bands not included):

\$(000)	Actual 2022	Actual 2021
100-110	20	13
110-120	26	25
120-130	36	35
130-140	13	19
140-150	17	12
150-160	11	3
160-170	7	6
170-180	3	3
180-190	4	5
190-200	4	2
200-210	4	2
210-220	1	1
220-230	3	-
230-240	2	1
250-260	2	1
260-270	1	-
280-290	-	1
300-310	-	1
330-340	-	2
340-350	2	-
350-360	1	-
420-430	-	1
430-440	1	-
	158	133

The remuneration includes amounts that have vested to current employees based on the achievement of service milestones.

In addition to the above, and in accordance with confidential contractual agreements, nil (2021: 3) payments (2021: \$142,384) were made during the year upon cessation of an individual's employment.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to the KiwiSaver and the State Sector Retirement Savings Scheme (SSRSS) are accounted for as defined contribution superannuation schemes and are recognised as an expense in the Statement of Comprehensive Revenue and Expense on an accruals basis.

Employee entitlements

Employee entitlements include salaries and wages, annual leave, long service leave and other similar benefits which are recognised in the Statement of Comprehensive Revenue and Expense when they accrue to employees. Employee entitlements to be settled within 12 months are reported at their undiscounted nominal value. The liability for long service leave is calculated based on the present value of likely future entitlements accruing to employees, based on years of service, years to entitlement, the likelihood that employees will reach entitlement and contractual entitlements information.

The total value of remuneration paid or payable to each Board member during the year was:

	Actual 2022 \$(000)	Actual 2021 \$(000)	
M Daly	72	66	Term concluded 30 June 2022
A O'Connell	-	13	Term concluded 30 November 2020
R Dyson	38	5	Appointed 1 May 2021; Appointed Deputy Chair April 2022
A Hercus	36	33	Appointed 1 March 2020
E Dobson	36	33	Appointed 1 March 2020
F Wilson	36	33	Appointed 1 March 2020
E Seville	36	33	Appointed 1 July 2018
A James	36	3	Appointed 1 May 2021
S Lewis	34	33	Appointed 1 March 2020
C Black	6	-	Appointed 5 April 2022
	330	253	

Indemnity and insurance disclosure

Toka Tū Ake EQC has provided a deed of indemnity to each Board member in relation to certain activities undertaken in the performance or intended performance of Commission functions.

Toka Tū Ake EQC effected and maintained “Directors’ and Officers’ Liability” and “Professional Indemnity” insurance cover during the financial year, in respect of the liability or costs of any Board member, or employee.

23. Events after balance sheet date

2022: There were no significant events after balance sheet date that warranted inclusion in the financial statements or separate disclosure.

2021: In July 2021, EQC entered into an agreement to transfer Geonet assets to GNS for \$1, creating a loss on sale of \$9.9 million to be recorded in the 2022 financial year. These assets are currently classified as ‘Held for Sale’ in the 2021 financial statements (Note 14).

Ministerial directions

Ministerial directions to EQC, current as at 30 June 2022 are:

Topic of direction	Description	Date of direction
Investments	Specific section of this direction (para v) continues in force, requiring Toka Tū Ake EQC to produce and comply with a Statement of Investment Policies, Standards and Procedures.	30 October 2001
Damage apportioned to unclaimed events	A direction allowing Toka Tū Ake EQC to make payment in relation to building damage apportioned to events that formed part of the Canterbury earthquake sequence, even where the insured person did not notify Toka Tū Ake EQC of damage for each event in the sequence.	19 December 2012
Amendment to previous direction	A direction amending the direction effective 19 December 2012 such that no excess applies in respect of the unclaimed event.	2 December 2013
Natural Disaster Fund investment policies	A direction to ensure Toka Tū Ake EQC invests the Natural Disaster Fund only in New Zealand Government stock and bank deposits. The direction also includes requirements to notify the Minister when the Fund reaches certain financial limits.	27 July 2015
Land damage apportioned to unclaimed events	A direction allowing Toka Tū Ake EQC to pay out on land damage apportioned to events that formed part of the Canterbury earthquake sequence, even where the insured person did not notify Toka Tū Ake EQC of damage for each event in the sequence.	20 October 2015
Administering the On-sold programme	A direction to administer the support package established by the Crown for qualifying owners of on-sold properties.	7 October 2019

Topic of direction	Description	Date of direction
Acting as agent for Southern Response Earthquake Services Limited (SRES)	A direction to Toka Tū Ake EQC that Toka Tū Ake EQC may act as agent for SRES for the purposes of administering open insurance claims against SRES in respect of damage arising from the Canterbury earthquakes, being claims that exceed, or may exceed, the cap. In performing the additional function under this direction, Toka Tū Ake EQC must act in accordance with the terms and conditions of the agency agreement dated 21 October 2019 between Toka Tū Ake EQC and SRES (as varied by agreement between the parties from time to time following consultation with the Minister).	21 October 2019
Replacing certain storm water and sewerage services and structures under the Canterbury earthquake sequence	A direction to pay the amount of the damage to, or replace or reinstate (at Toka Tū Ake EQC's option), any storm water and sewerage services and structures appurtenant to them that suffered damage as the direct result of one or more of the 2010-2011 Canterbury earthquake sequence.	1 December 2021

Directions to support a whole-of-government approach, current as at 30 June 2022 are:

Topic of direction	Description	Date of direction
New Zealand Business Number	A direction from the Minister of State Services and the Minister of Finance sets out requirements for agencies to implement the NZBN. EQC records NZBN numbers as part of new supplier registration. Our finance system has a searchable NZBN field. Existing suppliers have had their NZBN numbers updated wherever possible.	10 May 2016
Carbon Neutral Government Programme	A direction from the Minister of State Services and the Minister of Finance sets out requirements for agencies to implement the Carbon Neutral Government Programme.	27 March 2022

Toka Tū Ake EQC is also subject to whole-of-government directions relating to functional leadership requirements for ICT, property and procurement.



The foundation from which
we stand strong, together