



Statement of Performance Expectations

2023-2024

Te Tauāki
Koronga mō ngā
Mahi kia Tutiki

This *Statement of Performance Expectations* is a formal public accountability document required under Section 149C of the Crown Entities Act 2004. It outlines the planned work and financial information for the period 1 July 2023 to 30 June 2024 for Toka Tū Ake Earthquake Commission. Relevant historical and forecast comparison information is also provided for the benefit of readers.



Crown copyright ©

This work is licensed under the Creative Commons Attribution 3.0 New Zealand licence.

You are free to copy, distribute and adapt the work, as long as you attribute the work to Toka Tū Ake EQC and abide by the other licence terms. Please note you may not use any departmental or governmental emblem, logo or coat of arms in any way that infringes any provision of the Flags, Emblems, and Names Protection Act 1981. Please use the wording 'Toka Tū Ake Earthquake Commission' in your attribution, not the associated logo.

Liability

While all care and diligence has been used in processing, analysing and extracting data and information in this publication, Toka Tū Ake EQC gives no warranty it is error free and will not be liable for any loss or damage suffered by the use directly, or indirectly, of the information in this publication.

Citation

Toka Tū Ake Earthquake Commission (2023)
Statement of Performance Expectations
2023-2024

Wellington: Toka Tū Ake Earthquake Commission

Published by:

Toka Tū Ake Earthquake Commission
Wellington, New Zealand

Contact

Toka Tū Ake EQC: info@eqc.govt.nz

Phone: +64 4 978 6400

www.eqc.govt.nz

CONTENTS

Board statement of responsibility	2
The year ahead	3
Our focus for 2023-2024	3
Te tau e tū mai nei	6
Tā mātou aronga i te 2023-2024	7
Our strategic outcomes, intentions and measures	10
Government expectations	13
What we will deliver in 2023-2024	15
Revenue and expenses	16
Output one: Recovery after an event	17
Output two: Resilience	23
Output three: Risk financing	27
Output four: Readiness for an event	29
Prospective financial statements	31
Prospective Statement of Comprehensive Revenue and Expense	32
Prospective Statement of Changes in Equity	33
Prospective Statement of Financial Position	34
Prospective Statement of Cash Flows	35
Notes to the Prospective Financial Statements	36

BOARD STATEMENT OF RESPONSIBILITY

This *Statement of Performance Expectations* sets out our proposed performance targets and forecast financial information for the year 1 July 2023 to 30 June 2024. It is produced in accordance with the requirements of the Crown Entities Act 2004.

Toka Tū Ake Earthquake Commission is responsible for the preparation of this *Statement of Performance Expectations*, including the non-financial measures and prospective financial statements, and the appropriateness of the assumptions on which they are based.

The prospective financial statements have been prepared in accordance with PBE FRS-42. They have not been audited and should not be relied on for any other purpose.



Chris Black
Board Chair
21 June 2023



Ruth Dyson
Deputy Board Chair
21 June 2023

THE YEAR AHEAD

Kia tū tona, kia tū kotahi
Ko Toka Tū Ake EQC

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

The beginning of 2023 saw devastating damage from Cyclone Gabrielle and other severe weather in the Upper North Island. The damage and displacement of people and communities was at a level we have not seen in Aotearoa New Zealand since the Canterbury earthquakes of 2010-2011 and the subsequent Kaikōura earthquake in 2016. A national state of emergency was declared; entities at all levels - national, local, community, public and private - were mobilised to respond to the needs of communities; a major clean-up operation was mounted; and thousands of insurance claims were lodged.

The insurance provided through EQCover provides financial support when natural hazard events occur. However, we recognise - and the events of early 2023 show - that no amount of financial support and insurance takes away the wider impacts on people, property and communities.

At Toka Tū Ake EQC we want to help prevent or minimise the impacts of natural hazard events, rather than purely react, respond and support recovery from them. Climate change will continue to contribute to the number and severity of major adverse weather events, which affects some of the perils covered by Toka Tū Ake EQC. It is therefore more important than ever that we have honest conversations about the risks the country faces from natural hazards, and tackle some of the hard issues, particularly around where and how we build.

In this regard an important aspect of our work is the effort we put into being ready for, and mitigating the impacts of, natural hazard events.

We invest in research and education on natural hazards, and ways to reduce risk. We aim to translate this knowledge into forms that people can use and act on, including through modelling, scenarios, publications and public education campaigns.

Increasingly we are taking what we know about natural hazards from research and from natural disaster damage claims to inform, influence and advocate for better natural hazard risk management in Aotearoa New Zealand. We put considerable effort into making sure knowledge is passed on to central and local government to inform policy settings, including through statutory consultation processes and supporting policy and planning processes.

The Natural Hazards Insurance (NHI) Act 2023 will enable us to continue building on this role when it comes into force on 1 July 2024.

Alongside this, we continue to manage the Natural Disaster Fund (NDF) and secure global reinsurance capital to ensure financial support is available to New Zealanders, and to enhance our claims model so it is efficient and works smoothly from a homeowner's perspective.

This *Statement of Performance Expectations* sets out our plans for how we will deliver in the year ahead, and continue to respond to emerging challenges and opportunities.

OUR FOCUS FOR 2023-2024

Responding to the needs of those impacted by the major weather events in early 2023 will be a critical focus in the year ahead. Managing this response will be prioritised ahead of some previously planned activities that need to be deferred. As we work through the aftermath of the events, we will always be adapting to ensure we can best support New Zealanders.

Embedding transformational change

Our new claims model has been an important change for homeowners. Partnering with private insurers so homeowners can take care of all their insurance needs through one channel has streamlined the claims experience and improved our ability to be responsive after a natural disaster.

Our scheme is unique in the world in that we provide limited cover for damage to residential land, alongside capped cover for residential homes. The recent significant weather events have seen the profile of our claims change. Previously, most of the claims we received were for damage to homes; now the majority are for damage to land. Land claims require assessment by specialist geotechnical experts and can therefore take longer to assess and process than claims for damage to buildings.

Reflecting this, we have introduced new measures in this *Statement of Performance Expectations* for the response to the widely felt impacts of the Upper North Island weather events. This will mean we can benchmark our performance against previous years and also consider the realities of recent claims. We will continue to mature the model through a strong emphasis on our insurer relationships and shared commitment to learn from each event, keeping the homeowner experience front of mind, and ensuring we are as ready as possible for future events.

Homeowners remain at the heart of our ongoing management of claims related to the Canterbury earthquake sequence and from all other events, including claims managed under the new model from mid-2021 onwards. We will also continue to administer the Crown's On-sold programme for over-cap earthquake-damaged homes prior to 15 August 2019.

A key priority for the year ahead is ensuring we are fully ready to operate under the NHI Act when it comes into force on 1 July 2024. The new Act modernises the scheme and aligns with our organisational transformation over the last two years. Both are the culmination of lessons from the last decade and address many of the recommendations made by the 2018 Public Inquiry into EQC.

Protecting New Zealanders through risk financing

The success of our scheme is based on the principle that we will have the funds necessary to meet claims as they arise. We do this in a range of ways, including through support from international reinsurers, managing the NDF and working with the Treasury to understand the Crown's risk appetite and any potential need to call on the Crown guarantee.

Our reinsurance partners continue to show strong support for our scheme, with Toka Tū Ake EQC securing just under \$8.2 billion of cover for 2023-2024 (including reinsurance via catastrophe bonds). This is despite the market tightening in response to changing risk profiles and macroeconomic shocks, and Toka Tū Ake EQC will work to strengthen those relationships this year to secure reinsurance.

Sharing knowledge and influencing planning

We have collected a wealth of scientific information and expertise about our country's natural hazards over the years, and firmly believe that as much of this information as possible should be freely available so that everyone can make better informed decisions to manage their risk. In doing this we draw on our extensive claims data and research investments, which we leverage with loss modelling skills to turn data into information and insights to enable better decision-making.

Our research programme funds the investigation of ways to reduce the impacts of natural hazard events by ensuring stronger homes are built on better land. We will continue to fund research related to natural hazard risk and engineering to better understand our natural hazards so we can support communities, local councils and decision makers to make better informed decisions.

At an individual level, we want to empower people to better understand their communities' natural hazards, to assess their risk, make decisions and take appropriate action to build their resilience. Alongside our public education programme, we will explore further developments to make natural hazard data and information easier for people to access.

We will also continue to share information with and make submissions to local government to support better land use. Insurers and reinsurers are increasingly recognising our organisational expertise and ability to influence both local and central government from a strong evidence base of good science and data. Using the advantages and connections we have available to us, we will continue to explore how we can best connect industry with government to encourage a joined up and impactful approach to influencing systemic change.

Carbon Neutral Government Programme

In April 2022 the Minister of Finance and Minister for the Public Service issued a direction to Crown agents, including Toka Tū Ake EQC, to implement the Government's programme for carbon neutrality in the public sector by 2025.

We are carrying on our work under this programme with the development of a carbon reduction roadmap and an enduring focus on downsizing and upgrading our vehicle fleet, optimising our office accommodation and implementing other carbon reduction initiatives.

This includes finding ways to offset the carbon cost of maintaining relationships with international risk financing partners, including reinsurers.

Using 2019-2020 as a baseline, we will report on the results of audits of the intervening years and our progress in reducing gross emissions in our 2022-2023 Annual Report.

He tangata, he tangata, he tangata

Across all that we do and seek to achieve, people are our most important priority - the homeowners we help to recover from the ongoing effects of natural hazard events; the communities we support by having our plans and operating models in place for the next event and through our risk financing; the future generations we protect by better understanding the natural hazards we cover, the impacts of ongoing climate change, building standards, likely losses and planning decisions; our partners; and our staff.

We are committed to ensuring our services are accessible to the diverse range of communities we serve and recognise that the Treaty of Waitangi/Te Tiriti o Waitangi is the founding document for the relationships between the Crown and Māori. We will keep building our cultural capability to enable us to deliver on our aspirations that Toka Tū Ake EQC is recognised by Māori as a trusted and valued agency of the Crown as a Treaty partner, and that we are a consciously competent bicultural and multicultural organisation.

We can only do what we do as a result of the capable and committed team of people at Toka Tū Ake EQC. It is through their hard work, commitment and contribution that Toka Tū Ake EQC can be confident in the year ahead as we work to further reduce the impact on people and properties when natural hazard events occur.

TE TAU E TŪ MAI NEI

Kia tū tonu, kia tū kotahi

Ko Toka Tū Ake EQC

Let us stand strong, together as one

For we are Toka Tū Ake EQC

I te tīmatanga o te 2023, ka kitea he aneatanga nā te huripari Gabrielle, nā ētahi atu āhuatanga huarere taumaha te take, i te hiku o Te Ika-a-Māui, i ngā marama o Hanuere me Pēpuere. Ko te nui o te aneatanga me te peinga o ngā tāngata me ngā hapori kei tētahi taumata kāore i kitea i Aotearoa mai i ngā rū whenua i Waitaha i 2010-2011 me te rū whenua o muri i Kaikōura i 2016. I utaina he whakaritenga ohotata ā-motu; ko ngā hinonga kei ngā taumata katoa- ā-motu, ā-rohe, ā-hapori, tūmatanui, tūmataiti hoki- i whakaoreoretia hei urupare ki ngā hiahia o ngā hapori; i whakatūria tētahi whakahaere whakapai ake kaitā; e hia mano ngā kēreme inihua i tukuna.

Ko te inihua e whakaratoa nei mā EQCover kei te tautoko i te whakaoranga ā-pūtea o te tangata me ngā hapori ina tūpono ana ngā matepā taiao. Heoi, e mōhio ana mātou- ā, e whakaaturia ana e ngā tūponotanga o te tōmuatanga o 2023- ahakoa te nui o te tautoko ā-pūtea me te inihua, kāore e taea e ērā te whakangaro te pānga ki te tangata me ngā hapori.

Kei Toka Tū ake EQC ko tō mātou hiahia he āwhina kia aukatia, kia whakaitia ihotia rānei ngā pānga a ngā tūponotanga matepā taiao, kaua noa ko te mahi, ko te urupare, me te tautoko whakaoranga i ērā. E āhukahuka ana mātou mā te panonitanga o te āhuarangi e pā tonu ai pea ki te nui me te taumaha o ngā tūponotanga huarere kino e kaitā ana ka pā ki a mātou. Nō reira inā kē te nui o te hirahira me pono tā tātou nei kōrerorero mō ngā tūraru kei mua i te aroaro

o te motu mō ngā matepā taiao, me te pakanga atu ki ētahi o ngā take mārō, inarā hoki mō te hanga whare, ki hea nei, pēhea nei hoki.

Me te aha, he wāhanga nui o tā mātou nei mahi ko tā mātou whakapau kaha hei whakarite, hei whakaiti hoki i te tūraru matepā taiao. Kei te whakangao mātou i te moni ki te rangahau me te mātauranga mō ngā matepā taiao, me ngā huarahi hei whakaiti tūraru. Kei te hiahia mātou kia whakawhitia ēnei mōhiotanga ki ngā momo ka taea te whakamahi, te whai hoki e te tangata, tae ana ki te whakatauiria, ngā wheako tūponotanga, ngā whakaputanga me ngā whakatairanga mātauranga tūmatanui.

Ka piki ake tā mātou tango i tā mātou e mōhio nei mō ngā matepā taiao mai i te rangahau, i ngā puka kerēme parekura taiao hoki, hei whakamōhio, hei whakaaweawe, hei kōkiri hoki kia pai ake te whakahaere tūraru matepā taiao i Aotearoa. Ka tino whakapeto ngoi mātou kia āta tukuna ngā mōhiotanga ki ngā kāwanatanga ā-motu, ā-rohe hoki hei whakamōhio i ngā whakaritenga kaupapa here, tae ana ki ngā tukanga whakawhiti kōrero ā-ture me te tautoko i ngā kaupapa here me ngā tukanga whakamahere.

Mā te Natural Hazards Insurance (NHI) Act 2023 e āhei ai mātou ki te whakapakari haere i tēnei mahi, e mana ai tērā hei te 1 Hūrae 2024.

Hei hoa haere mō tēnei, kei te whakahaere tonu mātou i te Pūtea Parekura Taiao (NDF) me te whiwhi hoki i ngā moni tōpū mō te inihua anō ā-ao kia whakarite ai e wātea ana te tautoko ā-pūtea ki te iwi o Aotearoa, kia whakapai ake ai hoki i tā mātou tauira kerēme kia pai ai, kia ngāwari ai tana mahi mai i te tirohanga a te kaipupuri whare.

Kei te whakatakoto tēnei Tauāki Koronga mō ngā Mahi kia Tutuki i ā mātou mahere mō te pēhea e tukuna ai, e urupare tonutia ai e mātou ki ngā wero e puta haere nei, me ngā wheako i te tau e tū mai nei.

TĀ MĀTOU ARONGA I TE 2023-2024

Ko te urupare ki ngā hiahia o ērā i pāngia ai e ngā tūponotanga huarere kaitā i te tōmuatanga o 2023 ko tētahi tino aronga i te tau e tū mai nei. Ka arotahia te whakahaere o aua tūponotanga i mua i ētahi atu mahi i whakamahere kētia, ko aua mahi me whakatārewa. I a mātou e mahi ana i ngā take i waiho mai e ngā tūponotanga, ka urutau mātou i ngā wā katoa kia whakaritea e pai katoa ana tā mātou tautoko i te iwi o Aotearoa.

Te whakapūmau i te panonitanga ā-huringa.

Ko tā mātou tauira kerēme hou he panonitanga hirahira mō ngā kaupupuri whare. Nā te pātui ki ngā kaiinihua tūmataiti, kia taea ai e ngā kaupupuri whare te whakatika i ō rātou hiahia inihua mā te ara kotahi, i koutata ai te wheako kerēme, i pai ake ai hoki tā mātou āheinga ki te urupare whai muri iho i tētahi parekura taiao.

He mea motuhake i te ao tā mātou kaupapa nā tā mātou whakarato i te kapi whāiti mō te tūkinotanga ki ngā whenua ā-noho, i te taha o te kapi e kōpiri ana mō ngā whare ā-noho. Nā ngā tūponotanga huarere taumaha nō nā noa nei i kitea ai te panonitanga o ngā āhua o tā mātou kēreke. Nō mua, ko te nuinga o ngā kēreke nā mātou i whiwhi mō te tūkinotanga ki ngā kāinga, ko te nuinga ināianei mō te tūkinotanga ki te whenua. Me aromatawai ngā kerēme whenua e ngā mātanga pūhanga ā-nuku, me te aha ka roa ake pea te aromatawai me te tātari i aua mea i tā ngā kerēme mō te tūkinotanga ki ngā whare.

I runga anō i tēnei, kua whakaurua e mātou ētahi ine hou i roto i tēnei Tauākī Koronga mō ngā Mahi kia Tutuki mō te urupare ki ngā pānga i rangona whānuitia o ngā tūponotanga huarere i te hiku o Te Ika-a-Māui. Ko te tikanga o tēnei, ka taea ko mātou ake te ine e mātou ki ngā tau o mua, waihoki ka taea te whakaaroaro ake ngā tino take o ngā kerēme nō nā noa nei. Ka whakapakari tonu mātou i te tauira mā te

kaha miramira i ō mātou hononga ā-kaiinihua, me tā mātou manawanui e tuari nei ki te whai mōhiotanga mai i ia tūponotanga, ki te mātua maumahara ki te wheako o te kaupupuri whare, ki te whakarite hoki ka pai katoa ka taea te takatū mō ngā tūponotanga ā-mua.

Ko ngā kaupupuri whare kei te noho tonu i te puku o tā mātou whakahaere tonutanga e hāngai ana ki te raupapatanga o ngā rū whenua i Waitaha, ki ērā atu tūponotanga katoa hoki, tae ana ki ngā kerēme e whakahaeretia nei i raro i te tauira hou mai i waenga i te tau 2021, haere ake nei. Ka whakahaere tonu mātou i te hōtaka a Te Karauna, e kīia nei ko On-sold mō ngā whare e noho ana kei waho i te mōrahi o te pūtea pūmau, i whakakinotia ai hoki e te rū whenua i mua i te 15 o Ākuhata 2019.

Ko tētahi whāinga matua mō te tau e tū mai nei, ko te whakarite ka rite katoa mātou ki te mahi kei raro i te NHI Act 2023 e mana ai tērā hei te 1 Hūrae 2024. Kei te whakahou te Ture hou i te kaupapa, ā, kei te tīaroaro hoki ki tā mātou panonitanga ā-whakahaere i roto i ngā tau e rua kua pahure. Ko ngā mea e rua he putanga o ngā akoranga o te tēkau tau kua pahure, ā, he urupare hoki ki te maha o ngā tohutohu i puta ai i te Uiuinga Tūmatanui ki te EQC i te tau 2018.

Te tiaki i te iwi o Aotearoa mā te tuku pūtea ā-mōrea

Ko te pūtake o te angitu o tā mātou kaupapa ko te mātāpono kei a mātou te pūtea e hiahia ana mātou hei te wā ka puea ake ngā kerēme. Ka pērā mātou mā te whānui o ngā huarahi, tae ana ki te tautoko a ngā kaiinihua anō o te ao, ki tā mātou whakahaere i te NDF me te mahi tahi ki Te Tai Ōhanga kia mōhio ai ki te minamina tūraru o te Karauna, ki te mōhio hoki ki tētahi hiahia pea kia tonoa mai te kupu taurangi a Te Karauna.

Ahakoia e whakaatu tonu ana ō mātou hoa pātui inihua anō i te kaha tautoko mō tā mātou kaupapa, me te whiwhi a Toka Tū Ake i te \$8.2 piriona hei kapi mō 2023-2024, he wero te āheinga ki te inihua anō nā te noti haere o te māketē hei urupare ki ngā āhua kerēme e panoni haere nei me ngā ohorere ōhanga whārahi. Ka mahi a Toka Tū Ake ki te whakapakari i aua hononga i tēnei tau ki te whiwhi inihua anō.

Te tuari i te mōhiotanga me te whakaaweawe i te whakamahere

I roto i ngā tau kua kohia e mātou te huhua noa o ngā mōhiotanga pūtaiao, o te tohungatanga hoki mō ngā matepā taiao o tō mātou nei whenua, ā, e mārō ana tō mātou whakaaro ko te nui ka taea o aua pārongo me wātea noa kia pai ake ai ngā whakataua a te katoa hei whakahaere i tōna tūraru. Kia pērā, kei te whakamahi mātou i ā mātou raraunga kerēme korahi me ngā whakangao ā-rangahau, mā ērā me ngā pūkenga tauira ā-ngaromanga e hurihia ai e mātou ngā raraunga hei mōhiotanga, hei māramatanga hoki kia whakamōhiotia ai i ngā mahi tūturu.

Kei te utu tā mātou hōtaka rangahau i te whakatewhatewha i ngā huarahi e iti ake ai ngā pānga a ngā tūponotanga matepā taiao mā te whakarite ka hangaia ngā whare kaha ake i runga i ngā whenua pai ake. Ka utu tonu mātou i ngā rangahau e hāngai ana ki te tūraru matepā taiao me te pūkaha e pai ake ai te mōhiotanga ki ō mātou matepā taiao kia taea ai e mātou te tautoko hapori, kaunihera ā-rohe, me ngā kaiwhakataua kia pai ake ai ā rātau whakataua.

Mō te takitahi, kei te pīrangī mātou ki te whakamana tangata kia pai ake tōna māramatanga ki ngā matepā taiao o tōna ake hapori, ki te aromatawai i tōna tūraru, ki te whakarite whakataua me te whai mahi tika hei whakapakari i tōna manawaroa. Hei hoa haere mō tā mātou mātauranga tūmatanui, ka toro

mātou i ngā whanaketanga anō kia māmā ake ai te āheinga a te tangata ki ngā raraunga matepā taiao me ngā mōhiotanga.

Waihoki ka tuari tonu i ngā pārongo me te tuku tāpaetanga ki te kāwanatanga ā-rohe hei tautoko kia pai ake te whakamahi whenua. E piki haere ana te mōhiotanga a ngā kaiinihua me ngā kaiinihua anō ki tā mātou tohungatanga ā-whakahaere me tā mātou āheitanga kia whakaaweawetia te kāwanatanga ā-rohe me te kāwanatanga ā-motu mai i tētahi pūtake o te pūtaiao pai me ngā raraunga whai taunaki kaha. Mā te whakamahi i ngā huanga me ngā hononga e wātea nei ki a mātou, ka toro tonu mātou he pēhea kia pai rawa atu tā mātou whakapiri i te ahumahi ki te kāwanatanga kia akiaki ai i tētahi huarahi pāhekoheko, whai pānga hoki ki te whakaaweawe i te panonitanga ā-punaha.

Te Hōtaka Tukuwaro-kore o Te Kāwanatanga

I Āperira 2022, ka tukuna he tohutohu e te Minita o Te Tai Ōhanga me te Minita o Te Kawa Mataaho ki ngā waha kōrero o te Karauna, tae ana ki Toka Tū Ake, kia whakatinanatia tā te Kāwanatanga hōtaka mō te tuku-warō kore i roto i te rāngai tūmatanui i mua i te 2025.

Kei te mahi tonu mātou i raro i tēnei hōtaka me te whakaahu i tētahi mahere whakaiti tukuwaro me tētahi arotahi matatū e iti ake ai te nui, e pai ake ai te kounga hoki o tō mātou kahupapa waka, e pai ai ō mātou tari me te whakatinana i ētahi atu kaupapa whakaiti tukuwaro. Kei roto he pēhea e taea ai te rite i a mātou te utu tukuwaro o te pupuri i ngā hononga ki ngā hoa pātui pūtea ā-mōrea o te ao.

Mā te whakamahi i ngā tau 2019-2020 hei paepito, ka pūrongo mātou mō ngā hua o ngā tātari kaute nō ngā tau kei waenga, mō tō mātou anga whakamua hoki ki te whakaiti i ngā hau kino tapeke i roto i tā mātou Pūrongo ā-Tau 2022-2023.

He tangata, he tangata, he tangata

Huri noa i ā mātou mahi katoa me ō mātou koronga kia tutuki, ko te whāinga matua he tangata- ko ngā kaipupuri whare e āwhinatia nei e mātou kia whakaora ai rātou i ngā pānga e haere tonu nei o ngā tūponotanga matepā taiao; ko ngā hāpori e tautokona nei e mātou mā te whakanoho i ā mātou mahere me ā mātou tauira mahi mō te tūponotanga ka whai ake, ā, mā te pūtea ā-mōrea; ko ngā reanga e whai ake nei e tiakina nei e mātou mā te pai ake o ō mātou mōhiotanga mō ngā matepā taiao e kapi nei i a mātou, ko ngā pānga a te panonitanga haeretanga o te āhuarangi, ko ngā paerewa hanga whare, ko ngā ngaromanga e tīnga nei me ngā whakatau whakamahere; ko ō mātou hoa pātui; ko ā mātou kaimahi hoki.

E manawaroa ana mātou ki te whakarite e āhei ana ā mātou ratonga ki te whānuitanga kanorau o ngā hāpori e whakaratoa nei e mātou, ā, e mōhio ana mātou ko Te Tiriti o Waitangi ko te kaupapa matua mō te hononga i waenga i te Karauna me ngāi Māori. Ka haere tonu tā mātou whakapakari i tā mātou āheinga ahurea kia āhei ai kia ea ō mātou wawata, arā kia kitea a Toka Tū Ake e ngāi Māori hei umanga o te Karauna whaipāinga, e whakaponotia ana hoki, ā, ka tū mātou i runga i te mauri oho hei whakahaere matatau kākano rua, kākano maha hoki.

Ka taea noatia e mātou te mahi tā mātou mahi nā te rōpū tangata kakama e manawaroa ana o Toka Tū Ake EQC. Nā tā rātou whakapau kaha, manawaroa, mahi hoki e taea nei e Toka Tū Ake kia māia mō te tau e tū mai nei i a mātou e mahi ana kia iti tonu iho te pānga ki ngā tāngata me ngā whare ka tūpono ana ngā matepā taiao.

OUR STRATEGIC OUTCOMES, INTENTIONS AND MEASURES

*Ki te kotahi te kākaho ka whati
Ki te kāpuia e kore e whati*

**When reeds stand alone they are vulnerable,
but bound together they are unbreakable**

Our strategic outcomes describe, at a high level, the benefits Toka Tū Ake EQC wants to achieve to support a resilient New Zealand. This forms the basis of our long-term strategy and vision: to be the world’s leading natural disaster insurance scheme.

Our strategic intentions reflect the areas we will focus on the most in the medium term - the four years covered by our *Statement of Intent 2021-2025*.

They demonstrate where we intend to concentrate our medium-term efforts and resources to progress our long-term strategy, and the enabling capabilities required to achieve the desired objectives and outcomes.

We have four **output classes** to support us in delivering on these intentions and outcomes - Recovery, Resilience, Risk financing and Readiness.

Our **measures** then represent the activities we will monitor to ensure we stay on track in delivering our medium-term goals.



What we want to achieve to support New Zealanders (outcomes)	Where we will focus over the next four years (intentions)	How we will know we are on track (measures)	Output classes in the Statement of Performance Expectations
We help New Zealanders to recover after a natural disaster.	Claims made to the Toka Tū Ake EQC scheme are managed fairly, transparently, responsively and in a timely manner.	<ul style="list-style-type: none"> • Homeowner experience on Canterbury claims (Toka Tū Ake EQC) • Homeowner experience on new claims through our partnerships with private insurers (from mid-2021) • Assessment of claims processes to ensure they are fair, transparent, timely and responsive • Assessment of claims outcomes to ensure they are enduring 	Class one: Recovery
We collaborate and share information about natural hazards with New Zealanders and other agencies.	Be a leader in natural hazard risk reduction based on credible research, data, education and strong stakeholder relationships.	<ul style="list-style-type: none"> • Usefulness and quality of the insights we share • Quality and impact of the relationships we form • Number of homeowners who are informed by our education initiatives • Contributions to central and local government policy decisions • Development of enhanced loss modelling tools • Development of capability to allow stakeholders to access risk data specific to them 	Class two: Resilience
We manage the Toka Tū Ake EQC scheme, so financial resources are available to meet people's claims when they fall due.	Increase financial sustainability of the Toka Tū Ake EQC scheme by balancing investment in reinsurance capacity, strategic initiatives and rebuilding the NDF.	<ul style="list-style-type: none"> • Obtaining appropriate reinsurance cover • Reviewing our risk financing strategy annually • Collecting expected premiums • Managing the NDF 	Class three: Risk financing
Toka Tū Ake EQC and its partners are ready to support impacted communities when a natural disaster strikes.	Establish, test and improve the readiness of Toka Tū Ake EQC for natural disasters.	<ul style="list-style-type: none"> • Providing and demonstrating sufficient claims capacity • Conducting assurance and oversight where claims are being managed by partners • Incorporating lessons learned from recent events and continuing to improve the efficiency and effectiveness of our claims model 	Class four: Readiness

VISION

To be the world's leading 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

Resilience

Risk financing

Readiness

0172

GOVERNMENT EXPECTATIONS

LETTER OF EXPECTATIONS 2023-2024

The Government’s key priorities for Toka Tū Ake EQC are outlined in an annual letter of expectations from the Minister Responsible for the Earthquake Commission. Alongside supporting the Government’s overarching objectives, the Minister has outlined the following specific expectations of Toka Tū Ake EQC for 2023-2024.

<p>Natural Hazards Insurance Act</p>	<p>The Minister has asked Toka Tū Ake EQC to focus on implementation planning and the necessary changes required to get the organisation ready for when the NHI Act, which addresses many of the recommendations made by the 2018 Public Inquiry into EQC, commences.</p> <p>Toka Tū Ake EQC is expected to begin work on the Code of Insured Person’s Rights and operationalisation of claimant and dispute management processes in early 2023 to ensure sufficient time for public consultation.</p>
<p>Resilience</p>	<p>The Minister expects Toka Tū Ake EQC to continue supporting wider government priorities regarding natural hazard risk management, the access to and affordability of residential home insurance, and the implications of climate change for insured risks. This includes continuing to share insights on natural hazard risk management (including implications of severe weather volatility) with relevant stakeholders.</p>
<p>Risk Financing</p>	<p>The Minister expects Toka Tū Ake EQC to work closely with Treasury officials to support development of the first Funding and Risk Management Statement required under the NHI Act.</p> <p>Toka Tū Ake EQC is expected to continue to work closely with the Treasury in developing its overall risk financing framework and investment strategy, and to manage the assets of the NDF in a sound and prudent manner in line with the Ministerial Direction issued in July 2015.</p> <p>When renewing its reinsurance programme, Toka Tū Ake EQC is expected to take into account the Crown’s risk appetite, cost of capital and the costs of potential future claims, and will keep the Minister apprised of work exploring alternative risk financing options.</p>
<p>Consultation</p>	<p>The Toka Tū Ake EQC Board and senior management are expected to continue to engage with and consult the Treasury on material strategic issues, risks and influences on operational and financial performance. Toka Tū Ake EQC is expected to provide reasonable time for consultation with the Treasury.</p>
<p>Legal matters</p>	<p>The Minister expects Toka Tū Ake EQC to continue to update and engage with Crown Law and the Treasury on any significant legal issues affecting or likely to affect Toka Tū Ake EQC.</p>
<p>Performance expectations</p>	<p>Toka Tū Ake EQC is expected to engage with customers and other stakeholders to address any processes under its control that may be impeding its ability to meet any future targets.</p>

The Minister has also outlined several Canterbury-specific expectations.

<p>Canterbury claims</p>	<p>The Minister expects Toka Tū Ake EQC to make every effort to ensure the resolution of all Canterbury claims it currently has on hand, including the remaining over-cap claims that Toka Tū Ake EQC is managing as an agent for Southern Response Earthquake Services (Southern Response). Toka Tū Ake EQC will keep Treasury officials apprised of any material movements in the Canterbury claims liabilities as soon as they are known.</p>
<p>On-sold properties</p>	<p>Toka Tū Ake EQC will endeavour to present settlement offers to all remaining eligible applicants during 2023-2024. The Minister expects Toka Tū Ake EQC to manage any cost increases and delays caused by inflationary pressures, council consents and the availability of contractors and materials that are within its control. Toka Tū Ake EQC will provide timely updates to Treasury of risks that may impact on the Crown’s On-sold policy, including expected timelines and the quantum of costs to complete the programme.</p>

ENDURING LETTER OF EXPECTATIONS TO STATUTORY CROWN ENTITIES

The Government’s ongoing expectations of statutory Crown entities are outlined in an enduring Letter of Expectations from the Minister of Finance and Minister for the Public Service. The following expectations were set out in 2019.

The expectations below have been integrated into how Toka Tū Ake EQC conducts its core functions, including how we continue to build our organisational capability to meet our strategic outcomes.

<p>A unified value-based government for all New Zealanders</p>	<p>Toka Tū Ake EQC is expected to act in a spirit of service to everyone in our community and with integrity and care. This expectation emphasises the need for Toka Tū Ake EQC to be a safe, diverse, inclusive place to work, including addressing any ethnic or gender pay gaps and narrowing the gap between the highest and lowest earners.</p> <p>Toka Tū Ake EQC should take account of the Government’s Expectations on Employment Relations in the public sector and ensure employees have a voice in their workplace.</p>
<p>Supporting future-focused Māori Crown relations</p>	<p>The Government expects that Toka Tū Ake EQC will embody its good-faith and collaborative approach to Māori-Crown relationships. This is expected to include: engaging appropriately and often with Māori; pursuing opportunities for partnership; building staff Māori cultural capability; improving policies and practices to align with the Treaty; and supporting the revitalisation of te reo Māori.</p>
<p>Contributing to improving wellbeing</p>	<p>Toka Tū Ake EQC is expected to operate as part of a high-performing public sector focused on improving current and future wellbeing – including taking a whole-of-government approach, looking at intergenerational outcomes and moving beyond narrow measures of success. Toka Tū Ake EQC is expected to take active steps to reduce greenhouse gas emissions, improve energy efficiency and reduce waste outputs.</p>

WHAT WE WILL DELIVER IN 2023-2024

Drawing on our strategic outcomes and intentions and the Government’s expectations of Toka Tū Ake EQC, the following sections outline the activities Toka Tū Ake EQC intends to invest in and deliver over the next financial year under each of our four output classes.

The 2023-2024 financial year is the third year in the delivery of our *Statement of Intent 2021-2025*. Our strategic priorities are focused on: supporting homeowner **recovery** after an event; improving our country’s **resilience** to the impacts of natural hazards through investments in research and education; **risk financing** to ensure the Toka Tū Ake EQC scheme is sustainable; and ensuring our **readiness** for natural hazard events. For each of our four output classes, we set out:

- what the output class is intended to deliver (measures)

- the equivalent performance result (actual) from the 2021-2022 year, where available
- the expected performance result (forecast) for the 2022-2023 year, where available
- the performance target (target) for the 2023-2024 financial year and how performance will be assessed
- the proposed expenses for the output class.

A new *Statement of Intent* will be published by 30 June 2024, which will align with the NHI Act coming into effect on 1 July 2024.



REVENUE AND EXPENSES

Everyone with private home insurance with fire cover automatically pays the EQCover premium and is provided with EQCover (subject to conditions). This revenue covers costs incurred against our four output classes, with the difference between expected revenue and proposed expenses used to pay current and future claims. Our performance is assessed

and reported to our monitoring agency, the Treasury, on a quarterly basis. Toka Tū Ake EQC is also audited annually by the Auditor-General, and this is reported in each Annual Report. The expected revenue and proposed expenses for each of the output classes for financial year (FY) 2022-2023 and FY 2023-2024 is as follows:

Output class	2023-2024 expected revenue ¹	2023-2024 operating expenses ¹	2022-2023 expected revenue ¹	2022-2023 operating expenses ¹
Recovery after an event	Toka Tū Ake EQC premiums: \$819 million	Operating expenses: \$29 million Claims costs ² : \$62 million ³	Toka Tū Ake EQC premiums: \$603 million	Operating expenses: \$24 million Claims costs ² : \$816 million ³
Resilience	Other operating revenue: \$4 million	Operating expenses: \$40 million	Other operating revenue: \$9 million	Operating expenses: \$38 million
Risk financing		Operating expenses: \$8 million Reinsurance premiums: \$474 million		Operating expenses: \$7 million Reinsurance premiums: \$291 million
Readiness for an event		Operating expenses: \$28 million		Operating expenses: \$21 million

Explanations for changes to revenue and expenses for 2023-2024 are:

- Revenue is expected to increase to \$819 million for 2023-2024 as a result of higher premium receipts following the 1 October 2022 increase in the EQCover building cap from \$150,000 plus GST to \$300,000 plus GST.
- Claim expenses for 2023-2024 are expected to be \$54 million. Claim expenses for 2022-2023 are expected to be \$799 million, which includes current estimates for the recent major Upper North Island claim events of \$700 million.
- Reinsurance premiums for 2023-2024 are expected to increase to \$474 million compared to \$291 million for 2022-2023. This increase in cost includes reinsurance cover purchased to protect against the financial consequences of future significant natural hazard events based on the increase in the EQCover building cap on 1 October 2022.
- Operating expenses across the output classes are expected to increase by \$15 million in 2023-2024, driven by increased investment spend, the one-off costs associated with implementing the NHI Act and an increase in operating costs caused by inflation and increased workforce expenses.

¹ Revenue and expenses in this table are different from those in the Prospective Statement of Comprehensive Revenue and Expense as they exclude revenue and expenses that cannot be assigned by output class, such as services provided in administering the On-sold programme and Southern Response claims, as well as the expenses in the footnotes below.

² Claims costs comprise amounts paid (or estimates of amounts payable) in relation to natural disaster damage sustained during the current financial year. This number does not include changes in estimated costs for damage that occurred in prior financial years that are included in the financial statements. Variances in this number can be significant, based on the events that occur during the year.

³ This cost excludes the amortisation of risk margin and discount included in the gross claims discounted costs in note two of the prospective financial statements.

OUTPUT ONE: RECOVERY AFTER AN EVENT

The strategic outcome for **Recovery** is to help New Zealanders recover after a natural disaster.

Our Recovery output class focuses on the way claims are managed after an event. The quicker and easier that homeowners can recover following a natural hazard event, the sooner they can resume their normal lives. Toka Tū Ake EQC must also apply the scheme fairly, meeting the interests of individual homeowners within the scope of the scheme.

Toka Tū Ake EQC began delivering claims management services through a new operating model called the Natural Disaster Response Model (NDRM)⁴ on 30 June 2021. Our performance targets have been agreed as part of contractual arrangements with private insurers as our agents.

Our commitment to supporting homeowners impacted by the Upper North Island weather events of January and February 2023, through our agents, will be a key priority in 2023-2024. Together with our insurance partners, we will work to be operationally prepared to manage claims in accordance with the NHI Act when it comes into force on 1 July 2024, and to raise public awareness of changes being introduced.

Activities in this output class support two strategic intentions:

- Claims made to the Toka Tū Ake EQC scheme are managed fairly, transparently, responsively and in a timely manner.
- Increase financial sustainability of the scheme by balancing investment in reinsurance capacity, strategic initiatives and rebuilding the NDF.

Two claims models - pre- and post-NDRM

Toka Tū Ake EQC continues to manage claims from events prior to the launch of the NDRM, including claims from the Canterbury earthquake sequence. Twelve years on from the Canterbury earthquakes, managing these claims remains a key focus, although a smaller proportion of our overall operation. Progress is measured under output class 1.1.

Progress on claims from all other events, including NDRM claims (from 30 June 2021 onward) is measured under output class 1.2. Progress for claims relating to the Upper North Island weather events is measured under our new output class 1.3.

How Toka Tū Ake EQC measures performance

We have set time-bound, quality or quantity criteria for each activity that are designed to ensure homeowners are treated in a fair, transparent, responsive and timely manner and have their concerns heard.

We measure homeowner satisfaction with the claims process and communication, as well as the ability to settle claims within the Board-approved budget. We track results through data held by Toka Tū Ake EQC and our partners, including time taken to settle claims and independent customer satisfaction surveys.

We also seek input from homeowners through other feedback mechanisms, including the National Reference Group, to ensure good customer service delivery.

⁴ <https://www.eqc.govt.nz/insurance-and-claims/natural-disaster-response-model> for more information.

2023-2024 proposed expenses

The proposed operating expenses for the Recovery output class are \$29 million (excluding specific claims handling expenses). There is also an additional \$62 million relating to an estimate for natural hazard event damage sustained during the financial year. This cost excludes the amortisation of risk margin and discount included in the gross claims discounted costs in note two of the prospective financial statements.

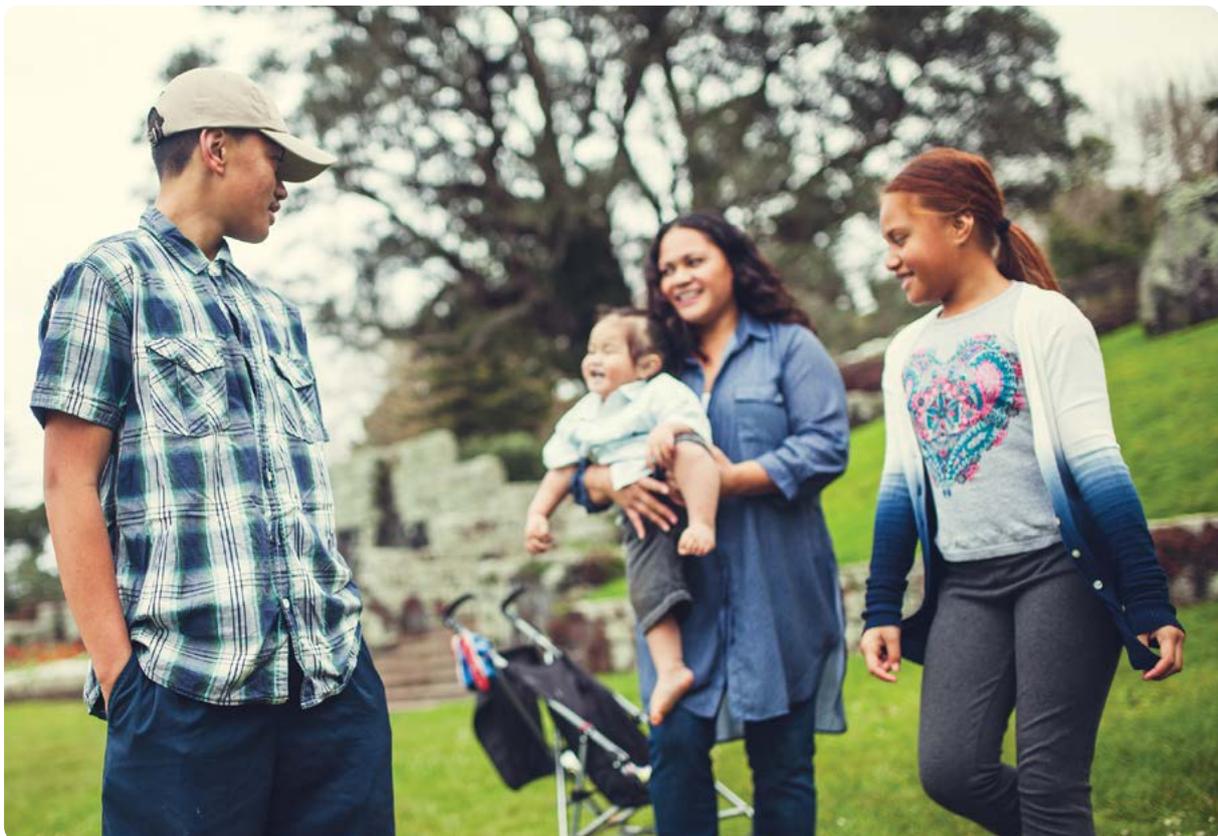
Recovery output classes

1.1: Settlement of the 2010-2011 Canterbury earthquake sequence claims

Output 1.1 is specifically focused on serving homeowners with claims from the 2010-2011 Canterbury earthquake sequence, including claims Toka Tū Ake EQC is managing on behalf of Southern Response. The measures address both the timeliness and homeowner focus of the claims management services.

The measures in this output class are a continuation from the 2022-2023 financial year. The number of claims from the Canterbury events is gradually reducing as less new damage is discovered. After 2023-2024 measures are likely to be re-evaluated to reflect the fewer claim numbers and the different treatments required for them.

The threshold for homeowner satisfaction is lower for Canterbury claims than it is for other claims. This is because damaged homes in Canterbury often have long and complex histories, in part reflective of past processes that have now changed. Also, for this reason, most of our homeowner focus measures look at a homeowner's recent experience to test the effectiveness of our continuous improvement initiatives.



Performance measures		2023-2024 target	2022-2023 forecast	2021-2022 actual
Timeliness				
1.1.1	Outstanding claims over six months old, on hand at 30 June 2023, are settled by 30 June 2024	85%	77%	92%
1.1.2	New claims opened or reopened ⁵ between 1 January 2023 and 31 December 2023 are settled within six months ⁶	85%	89%	86%
1.1.3	The on-sold ex gratia package is administered in accordance with the On-Sold Canterbury Properties Services Agreement ⁷	100%	100%	100%
1.1.4	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 ⁸	100%	100%	100%
1.1.5	New Southern Response claims opened or reopened between 1 January 2023 and 31 December 2023 are settled within six months	60%	61%	New measure
Homeowner focus				
1.1.6	Surveyed homeowners are satisfied with their overall claims experience	>60%	83%	65%
1.1.7	Surveyed homeowners agree or agree strongly that Toka Tū Ake EQC: <ul style="list-style-type: none"> was easy to interact with during their claim was responsive to their individual needs and situation during their recent claim experience provided clear and concise communication, and homeowners were clear on next steps for their claim acted as experts with the skills, knowledge and desire to help them 	>70% >70% >70% ≥70%	New measure 85% 81% 83%	New measure 78% 76% 77%
1.1.8	Timeliness of complaints resolution: complaints are resolved in two months	95%	93%	90%
1.1.9	Toka Tū Ake EQC settlements should be enduring: percentage of settled claims reopened within six months ⁹	≤5%	2%	2%

1.2 Claims relating to natural hazard events (excluding Canterbury)

Output 1.2 is focused on claims to the scheme that occurred after the 2010-2011 Canterbury earthquake sequence. These measures address the timeliness, quality and cost of claims

resolution for all other events, including claims management services provided by private insurers under the NDRM from 30 June 2021 onwards. They exclude claims relating to the Upper North Island weather events of January and February 2023, which are included in output 1.3.

⁵ The open claim has been settled (closed) from the perspective of Toka Tū Ake EQC. An open claim may be classified as settled where the homeowner 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.

⁶ Does not include claims in litigation or where a homeowner appoints a third party to represent them.

⁷ This agreement between the Crown and Toka Tū Ake EQC records the terms and conditions on which Toka Tū Ake EQC administers the government policy that allows homeowners of on-sold over-cap properties in Canterbury to receive an ex gratia payment from the Crown towards the cost of having their homes repaired.

⁸ This outlines the agency mandate, terms and principles for Toka Tū Ake EQC settling claims as an agent for Southern Response.

⁹ This will not include claims re-opened for administrative purposes (such as for making a payment or insurer facilitation).

Severe weather events in August 2022 that impacted homeowners in Nelson, Tasman, Marlborough and Wellington have resulted in an increased number of landslip, flood and storm claims being managed under the NDRM.

As land claims are often complex and rely on external resources that can be scarce, they can take longer to settle. The target for measure 1.2.1 has been adjusted from 90% in 2022-2023 to 70% for 2023-2024 to account for this.

Performance measures		2023-2024 target	2022-2023 forecast	2021-2022 actual
Timeliness (non-Canterbury claims) The timeframes in these measures assume that a cash settlement approach is taken to settling claims.				
1.2.1	Claims lodged between 1 January 2023 and 31 December 2023 are settled within six months	≥70%	63%	91%
Homeowner focus				
1.2.2	Surveyed homeowners are satisfied with their overall claims experience	≥60%	65%	63%
1.2.3	Surveyed homeowners agreed Toka Tū Ake EQC (or its partner): <ul style="list-style-type: none"> was easy to interact with during their claim, provided clear and concise communication and homeowners were clear on next steps for their claim acted as experts with the skills, knowledge and desire to help them 	≥70% ≥70% ≥70%	New measure 70% 75%	New measure 69% 67%
1.2.4 ¹⁰	Complaints are resolved within two months or within such longer period as the complainant and private insurer agree	90%	90%	95%
1.2.5 ¹¹	Toka Tū Ake EQC settlements should be enduring: percentage of settled claims reopened within six months	≤5%	1%	4%
Quantity				
1.2.6	The ratio of claims handling expense to settlement cost for the period is less than the ratio set by the Board	Achieved	Achieved	Achieved

¹⁰ Excludes complaints that fall into the external dispute resolution process to align with Fair Insurance Code terminology.

¹¹ Measure excludes administrative reopens.

1.3 Claims relating to Upper North Island weather events: January - February 2023

We have introduced a new measure for the response to the impacts of severe weather events in the Upper North Island (including the Auckland Anniversary Weekend floods in January 2023 and Cyclone Gabrielle in February 2023). This measure reflects the increased complexity and timeframe to resolve many of the claims where there is significant land damage.

Performance measures		2023-2024 target	2022-2023 forecast	2021-2022 actual
Timeliness (Upper North Island weather events claims) The timeframes in these measures assume that a cash settlement approach is taken to resolving claims.				
1.3.1	Claims lodged between 1 January 2023 and 30 June 2023 are settled within 12 months	≥70%	New measure	New measure
Homeowner focus				
1.3.2	Surveyed homeowners are satisfied with their overall claims experience	≥60%	New measure	New measure
1.3.3	Surveyed homeowners agreed Toka Tū Ake EQC (or its partner):			
	• were easy to interact with during their claim	≥70%	New measure	New measure
	• provided clear and concise communication and homeowners were clear on next steps for their claim	≥70%	New measure	New measure
	• acted as experts with the skills, knowledge and desire to help them	≥70%	New measure	New measure
1.3.4 ¹²	Complaints are resolved within two months or within such longer period as the complainant and private insurer agree	90%	New measure	New measure
1.3.5 ¹³	Toka Tū Ake EQC settlements should be enduring: percentage of settled claims reopened within six months	≤5%	New measure	New measure

¹² Excludes complaints that fall into the external dispute resolution process to align with Fair Insurance Code terminology.

¹³ Measure excludes administrative reopens.



OUTPUT TWO: RESILIENCE

This strategic outcome is that we improve the **resilience** of New Zealanders by collaborating and sharing information about natural hazards with New Zealanders and other agencies. The goal is to reduce the impacts of future natural hazard events through New Zealanders having stronger homes that are built on better land and supported by resilient infrastructure. Understanding more about the natural hazards we live with through investment in research and loss modelling also builds the confidence of reinsurers, supporting one of the Crown's goals of New Zealanders having access to affordable natural disaster insurance for residential homes.

In this third year of our *Statement of Intent*, the focus of our Resilience output class continues to be on investing in science, research, data, loss modelling and public education to inform and enable choices and decisions that reduce the vulnerability and exposure of New Zealanders to natural hazards. We will also prepare for the changes to our resilience functions under the NHI Act.

By connecting and engaging with people involved in natural hazards policy and practice to bring them meaningful and accessible science and research, we can support risk-informed decision-making. This investment also helps sustain key specialist capabilities such as GeoNet (New Zealand's natural hazard monitoring and assessment platform) and supports research on hazard science, risk assessment and hazard risk management options. Toka Tū Ake EQC aims to translate and operationalise this knowledge into forms that people can use and act on.

We continue to look for innovative ways to further deliver our resilience functions. In 2022-2023 we developed a loss modelling strategy and investment roadmap that will underpin our activities in 2023-2024 as we seek to build the best possible understanding of the natural hazard risks and residential property losses New Zealand might experience.

We are also introducing an information portal that will provide natural hazard risk information for New Zealanders.

Our objectives are to:

- improve the evidence base for assessing the likelihood and magnitude of potential hazard events and the pricing of New Zealand risk
- improve the understanding of the social and economic consequences of hazards and the measures to reduce the vulnerability of New Zealand communities
- fund research into, among many things, engineering solutions that improve the performance of New Zealand's built environment to natural hazard risks
- provide information and analysis that will allow stakeholders to prepare for, and inform others on preparing for, natural disasters (for example, better decisions will be made about future property development and councils will be able to inform communities about natural disaster preparedness)
- influence New Zealanders to take action to prepare their homes for risks of natural hazard events.

Activities in this output class positively impact two strategic intentions:

- 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.

The activities in this output class also help inform our strategies for rebuilding the NDF and purchasing reinsurance.

How Toka Tū Ake EQC measures performance

To measure the quality of the information Toka Tū Ake EQC provides, we seek feedback to understand its value to stakeholders. We have chosen to involve stakeholders in the assessment of our performance as these relationships, and our reputation and credibility with stakeholders, are a key foundation for the success of our Resilience Strategy¹⁴.

We also measure the impact activities have on the number of New Zealanders who are taking action to prepare for natural hazard events.

2023-2024 proposed expenses

The budgeted expenses for the Resilience output class are \$40 million. This relates primarily to the cost of funding research and education, including the significant investment in the GeoNet platform, ongoing loss modelling and the information portal.



¹⁴ <https://www.eqc.govt.nz/assets/Publications-Resources/Resilience-and-Research-Publications-/EQC-Resilience-Strategy-2019-2029.pdf>

Resilience output classes

2.1: A resilience programme that facilitates improved analysis and public understanding of natural hazard risk

Performance measures		2023-2024 target	2022-2023 forecast	2021-2022 actual
Quality				
2.1.1	Percentage of stakeholders ¹⁵ surveyed ¹⁶ agree or strongly agree that the outputs of the investment by Toka Tū Ake EQC in research are: <ul style="list-style-type: none"> of good or excellent quality relevant and focused on the outcomes of the Resilience Strategy 	75% 75%	86% 85%	83% 78%
2.1.2	Percentage of stakeholders surveyed agree or strongly agree that Toka Tū Ake EQC: <ul style="list-style-type: none"> is contributing to driving progress in resilience to natural hazards is an engaged and supportive partner 	75% 75%	82% 88%	Amended measure 85% 83%
2.1.3	Percentage of the public surveyed ¹⁷ who say: <ul style="list-style-type: none"> they thought about potential risks of natural hazards when buying or looking to buy a property they are aware they can take action to make their homes safer and stronger for hazard events where possible they have taken action as homeowners on any of the six key preparedness actions¹⁸ promoted by Toka Tū Ake EQC¹⁹ 	>75% >60% >55%	91% 68% 58%	85% 68% New measure based on revised methodology
2.1.4	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 	5	18	8

¹⁵ Stakeholders include central government, local government, science and research, the insurance industry and design, planning and construction professionals.

¹⁶ Quantitative surveys are undertaken by Research First, an independent organisation.

¹⁷ Quantitative surveys are undertaken by A C Neilson, an independent organisation.

¹⁸ The key preparedness actions are: secure tall furniture, secure hot water cylinder, remove or replace hazardous chimneys, secure foundations, know how to turn off main gas, and know how to turn off mains water.

¹⁹ This action measure is calculated by summing the count of people who said 'yes' to each of the six actions, divided by the sum of the count of eligible people who answered for each action (excludes those who said not applicable).

2.2: Innovating through technology to enhance loss modelling and public understanding of natural hazard risk

Performance measures		2023-2024 target	2022-2023 forecast	2021-2022 actual
2.2.1	Deliver the following milestones for loss modelling: <ul style="list-style-type: none"> Implement new earthquake fragility models in PRUE²⁰ Deliver exposure assessment capability for tsunami (building only) and rainfall induced landslip 	Achieved	New measure	Achieved
2.2.2	A Business Case for Stage 2 of the Natural Hazards Portal is costed and presented to the Toka Tū Ake EQC Board	Achieved	New measure	New measure



²⁰ PRUE is our loss model based on the RiskScape® risk modelling software developed by GNS and NIWA.

OUTPUT THREE: RISK FINANCING

This output supports our core legislative functions to collect premiums payable for insurance under the Earthquake Commission Act 1993, administer the NDF and obtain reinsurance. In combination with the Crown guarantee²¹, this ensures financial resources are available to meet people's claims when they fall due. The NDF is also used to invest in research and education and operate the scheme.

Our **Risk financing** output activities are guided by our understanding of the Crown's balance sheet risk appetite and our management of the NDF. In our preparation for commencement of the NHI Act on 1 July 2024 we will also support the Treasury with advice and modelling to underpin the development of the first Funding and Risk Management Statement required under the Act.

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 hazard events. Global markets for natural catastrophe reinsurance have hardened following five years of losses. Along with increases in the expected cost of losses from natural hazard events due to high global inflation, and increased capital costs due to higher interest rates, this will likely increase the price and availability of cover. However, reinsurers remain positive about the Toka Tū Ake EQC programme, our investment in research and loss modelling, and our resilience work.

Following investigations into additional forms of financial risk transfer, Toka Tū Ake EQC has for the first time ever secured reinsurance via catastrophe bonds. This will complement the long relationships we have had with traditional reinsurers and further protect the Crown balance sheet.

At the same time, the increase in the EQCover building cap will see an associated increase in premiums received. This will add momentum to our efforts to manage the NDF to ensure New Zealand is financially better prepared for future natural hazard events.

The combination of reserves in the NDF and a strong risk transfer programme lessens the need for recourse to the Crown guarantee in the event of a significant natural hazard event. However, the Crown's statutory guarantee provides assurance to all insured homeowners that their claims for natural hazard event damage will be paid, particularly given the impacts of the Upper North Island weather events of January and February 2023 that will reduce the value of the NDF.

Our objectives are to:

- ensure that premiums are collected
- maintain an affordable risk transfer programme with an appropriate level of cover
- maintain a robust risk financing framework
- manage the NDF.

Activities in this output class positively impact the strategic intention:

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

This then links to the strategic outcome:

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

²¹ Section 16 of the EQC Act provides that, if the assets of Toka Tū Ake EQC are not sufficient to meet its liabilities, the Crown will provide Toka Tū Ake EQC with a grant or advance to meet the shortfall.

How Toka Tū Ake EQC measures performance

We measure the effectiveness of premium collection through the percentage collected versus budget. We will work closely with the Treasury in determining the objectives for the reinsurance purchase, with reference to the cost and cover involved. We will manage the NDF in line with Ministerial directions.

2023-2024 proposed expenses

The budgeted expenses for the Risk financing output class are \$482 million. These are largely related to the purchase of reinsurance and establishing alternative risk transfer mechanisms to protect against the financial consequences of future significant natural hazard events, and a fee relating to the Crown's guarantee of the Toka Tū Ake EQC scheme. This amount includes expected operating expenses of \$8 million.

Risk financing output classes

3.1: Maintain a reinsurance programme that supports the delivery of affordable residential natural disaster insurance protection

Performance measures		2023-2024 target	2022-2023 forecast	2021-2022 actual
Quality				
3.1.1	Reinsurance protection for 2024-2025 is obtained on terms that assure continuity of coverage for all perils, at rates that are lower than the Crown's cost of capital	By 1 June 2024	Achieved	Achieved
3.1.2	Annual consultation with the Crown on risk appetite occurs prior to purchasing reinsurance for 2024-2025	Achieved	Achieved	Achieved
3.1.3	An annual review of the risk financing strategy is conducted	By 30 June 2024	Achieved	Achieved

3.2: Managing the NDF

Performance measures		2023-2024 target	2022-2023 forecast	2021-2022 actual
Quantity				
3.2.1	The level of premiums collected compared to the annual budget	100%	100%	100%
3.2.2	The NDF is managed in accordance with directions from the Minister	100%	100%	100%

OUTPUT FOUR: READINESS FOR AN EVENT

Toka Tū Ake EQC covers damage to residential homes for a wide range of natural hazard events including volcanic eruptions, earthquakes, tsunami, natural landslips, hydrothermal activity, and damage to land from a storm or flood. Being prepared for such a wide range of perils includes having the right people, systems and processes ready in advance.

Readiness is about ensuring Toka Tū Ake EQC and its partners have the right capability and capacity in place to support New Zealanders, should we be required to respond to an event today. We do this by maximising the effectiveness of our NDRM, running scenario exercises, planning for business continuity and identifying areas for improvement. The National Reference Group provides us with invaluable perspectives and input into this work.

In the previous two years of our *Statement of Intent* we included measures for the number of scenario exercises we conducted in partnership with insurers and other key recovery agencies. This measure has been removed for the coming year to enable a focus on capturing lessons learned from the Upper North Island weather events that will be beneficial for Toka Tū Ake EQC and insurers to help prepare for similar future events. Removing the measure also reflects the need to minimise the non-claims management workload on insurers to enable them to focus on the aftermaths of these events.

In 2023-2024 we will document and present what we have learned from these events to the Toka Tū Ake EQC Board. This supports our strategic focus on optimising and monitoring the NDRM, using what we learn from these events to make the most of the model's capacity potential and continually enhance performance.

Continued enhancement of our technology infrastructure is also a key part of the successful operation of the NDRM, enabling the secure transfer and sharing of data.

Activities in this output class contribute to the strategic intentions:

- Establish, test and improve the readiness of Toka Tū Ake EQC for natural disasters
- Claims made to the Toka Tū Ake EQC scheme are managed fairly, transparently, responsively and in a timely manner.

These link to the strategic outcomes:

- Toka Tū Ake EQC and its partners are ready to support impacted communities when a natural disaster strikes
- We help New Zealanders to recover after a natural disaster.

How Toka Tū Ake EQC measures performance

Homeowner experience under the NDRM is monitored through the measures in the Recovery output class.

The Readiness output class measures our capability and capacity to respond to a natural hazard event by monitoring performance, developing response strategies and carrying out scenario testing, including insurers' and partners' ability to scale their response after a major natural hazard event.

2023-2024 proposed expenses

Proposed expenses for the Readiness output class are \$28 million. This includes the costs of supporting the implementation and oversight of the NDRM and ongoing event readiness.

Readiness output classes

4. Ensuring capacity and readiness for an event

Performance measures		2023-2024 target	2022-2023 forecast	2021-2022 actual
Quantity				
4.1	Document and present to the Board the lessons learned from the 2023 Upper North Island weather events	Achieved	New measure	New measure
4.2	NDRM insurers attest they have surge plans to support the NDRM to respond to a natural hazard event with up to 100,000 homeowner claims	100%	New measure	New measure
4.3	Toka Tū Ake EQC and NDRM insurers further develop the NDRM's efficiency and effectiveness as a claims model by completing projects in the approved implementation plan ²²	Achieve >90% of the NDRM development plan's 2023-2024 milestones	New measure	New measure
4.4	New Zealanders have increasing trust and confidence in Toka Tū Ake EQC	Results match or are higher than those in the previous financial year across a range of survey measures	94	92

²² The approved implementation plan will outline projects and initiatives that will develop the NDRM. The plan will also include any issues identified for action through the NDRM assurance framework.

**PROSPECTIVE FINANCIAL
STATEMENTS**



PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the years ending 30 June 2023 and 30 June 2024	NOTE	FORECAST 2023 \$(000)	BUDGET 2024 \$(000)
EARNED PREMIUMS			
Gross earned premiums ²³		603,191	818,736
Outward reinsurance premium expense ²⁴		(291,168)	(473,917)
Net earned premium revenue		312,023	344,819
UNDERWRITING MOVEMENTS			
Reinsurance and other recoveries		11,488	5,901
Claims (expense)/reduction	2	(798,939)	(54,374)
Total underwriting movements		(787,451)	(48,473)
SURPLUS/(DEFICIT) FROM INSURANCE ACTIVITIES		(475,428)	296,346
OTHER OPERATING REVENUE			
Interest revenue		9,307	3,912
Other revenue ²⁵		11,080	8,845
Total operating revenue		20,387	12,757
OTHER OPERATING EXPENSE			
Recovery		(23,910)	(29,189)
Resilience		(37,709)	(40,297)
Risk financing		(6,773)	(8,308)
Readiness		(21,455)	(27,644)
Other expenses ²⁵		(10,643)	(8,445)
Total operating expense	1	(100,490)	(113,883)
Crown underwriting fee		(10,000)	(10,000)
TOTAL COMPREHENSIVE REVENUE/(EXPENSE) FOR THE PERIOD		(565,531)	185,220

²³ The increase in gross earned premiums is due to the increase in the cap to \$300,000 plus GST from October 2022 as insurance policies renew over the following 12 months.

²⁴ The outward reinsurance premium expense increase is due to greater reinsurance coverage being acquired by Toka Tū Ake EQC as well as a tightening reinsurance market leading to price increases.

²⁵ Costs incurred managing the on-sold over-cap programme on behalf of the Crown and managing Southern Response's remaining claims are reimbursed to Toka Tū Ake EQC in full, plus a margin from the Southern Response agreement.

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

For the years ending 30 June 2023 and 30 June 2024	FORECAST 2023 \$(000)	BUDGET 2024 \$(000)
EQUITY		
Capitalised reserves	1,500,000	1,500,000
RETAINED EARNINGS		
Opening balance at 1 July (deficit)	(1,792,630)	(2,358,161)
Total comprehensive revenue/(expense) for the period	(565,531)	185,220
Closing balance at 30 June (deficit)	(2,358,161)	(2,172,941)
Closing balance at 30 June (deficit)	(858,161)	(672,941)

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

As at 30 June 2023 and 30 June 2024	FORECAST 2023 \$(000)	BUDGET 2024 \$(000)
EQUITY		
Capitalised reserves	1,500,000	1,500,000
Retained earnings	(2,358,161)	(2,172,941)
Total equity	(858,161)	(672,941)
ASSETS		
Bank	83,475	5,054
Premiums receivable	156,826	164,885
Outstanding reinsurance and other recoveries	130,586	95,047
Other receivables	32,296	35,824
Prepayments	1,409	1,407
Outward reinsurance expense asset	78,333	86,167
Investments	111,252	-
Property, plant and equipment	1,671	2,431
Intangible assets	8,123	5,375
Total assets	603,971	396,190
LIABILITIES		
Trade and other payables	(22,676)	(34,751)
Provisions	(3,278)	(2,878)
Outstanding claims liability	(1,023,585)	(583,845)
Unearned premium liability	(412,594)	(447,657)
Total liabilities	(1,462,133)	(1,069,131)
Net assets/(liabilities)²⁶	(858,161)	(672,941)

²⁶ The Crown has confirmed, in writing to Toka Tū Ake EQC, its intention to meet its obligation under Section 16 of the EQC Act, to ensure that Toka Tū Ake EQC can meet all its liabilities as they fall due.

PROSPECTIVE STATEMENT OF CASH FLOWS

For the years ending 30 June 2023 and 30 June 2024	FORECAST 2023 \$(000)	BUDGET 2024 \$(000)
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Premiums	683,565	845,740
Reinsurance and other recoveries	33,059	41,440
Interest received	8,895	5,164
On-Sold agreement receipts	110,792	147,385
Southern Response agreement receipts	2,354	1,892
Net GST	(3,620)	5,672
<i>Cash was applied to:</i>		
Outward reinsurance	(319,879)	(475,218)
Crown underwriting fee	(10,000)	(10,000)
Claims settlements and handling costs	(363,073)	(494,214)
Employees and other operating expenses	(68,291)	(83,543)
On-sold agreement settlement and handling costs	(114,674)	(150,904)
Southern Response agreement handling costs	(1,285)	(1,500)
Grants for research/GeoNet	(19,613)	(18,400)
Net cash (outflow) from operating activities	(61,770)	(186,488)
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	40,000	110,000
<i>Cash was applied to:</i>		
Purchase of property, plant and equipment	(588)	(1,900)
Purchase of intangibles	(1,710)	-
Net cash inflow from investing activities	37,702	108,100
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was applied to:</i>		
Lease payment	(25)	(27)
Interest payment	(6)	(6)
Net cash (outflow) from investing activities	(31)	(33)
Net increase/(decrease) in cash	(24,099)	(78,421)
Add opening cash brought forward	107,574	83,475
Ending cash carried forward	83,475	5,054

NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

Note 1: Prospective operating expenditure excluding claims costs

For the years ending 30 June 2023 and 30 June 2024	FORECAST 2023 \$(000)	BUDGET 2024 \$(000)
Advertising and publicity	903	1,046
Amortisation of intangibles	2,777	2,748
Fees paid to the auditor		
Audit of the financial statements ²⁷	240	240
Commissioners' fees	388	364
Consultants and contractors	9,621	7,015
Depreciation	726	1,140
Employee remuneration and benefits	23,576	28,833
Gain/Loss on disposals	4	-
Grants for research/GeoNet	17,945	17,100
Loss modelling	300	1,614
Office rental	952	1,193
Other administration costs	2,159	2,503
Outsourced service provider costs	8,970	9,962
Restructuring costs	133	200
Sponsorship	686	1,200
Superannuation contribution costs	687	818
Technology costs	9,997	11,212
Projects	9,783	12,750
NHI Act implementation ²⁸	-	5,500
On-sold agreement claim handling expenses	9,359	6,945
SRES agreement claim handling expenses	1,285	1,500
Total operating costs (excluding claims expense and claims handling expense)	100,490	113,883

²⁷ Relates to the business-as-usual portion of the audit fee. The forecast full audit fee for the year ended 30 June 2023 is \$0.4 million and for 2024 \$0.4 million.

²⁸ Implementing the NHI Act is a one-off cost in 2023-2024.

Note 2: Claims expense

	2023 Current Year \$(000)	2023 Prior Years \$(000)	2023 Total \$(000)	2024 Current Year \$(000)	2024 Prior Years \$(000)	2024 Total \$(000)
Gross claims expense - undiscounted	(815,639)	(14,304)	(829,943)	(62,000)		(62,000)
Movement in discount		6,114	6,114		(16,185)	(16,185)
Amortisation of risk margin		24,890	24,890		23,811	23,811
Gross claims expense - discounted	(815,639)	16,700	(798,939)	(62,000)	7,626	(54,374)

The current year claims expense comprises amounts paid (or estimates of amounts payable) in relation to natural hazard event damage sustained during the current financial year. The 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. A provision of \$700 million has been included in the 2023 current year claims expense as an initial provision for the recent weather events. This amount is in addition to the actuarial claims reserve determined as at 31 December 2022.

Note 3: 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 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 received approximately 469,000 claims from the 2010-2011 Canterbury earthquake sequence, of which some disputes and the possibility of litigation are inevitable. As at 31 December 2022 Toka Tū Ake EQC had 19 open litigation cases, which includes several representative cases. Of the cases, 14 are Canterbury open litigation cases and five are non-Canterbury open litigation cases. The expectation of costs from disputes and litigation under the EQC Act has been considered by the actuaries in deriving the outstanding claims liability as at 31 December 2022.

Significant accounting policies

Reporting entity

Toka Tū Ake Earthquake Commission 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 its operations includes the Crown Entities Act 2004 and the Earthquake Commission Act 1993 (EQC 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 EQC Act, facilitate research and education about matters relevant to natural disaster damage, and manage the NDF, 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 prospective financial statements is for the years ending 30 June 2023 and 30 June 2024.

Basis of preparation

Statement of compliance

These prospective financial statements 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 prospective financial statements comply with Public Benefit Entity Standards (PBE Standards) as appropriate for Tier 1 PBEs. They comply with PBE FRS 42 and other PBE Standards, as appropriate for PBEs.

The accounting policies set out below have been applied consistently to all periods presented in these prospective financial statements.

Going concern

Actuarial estimates of the claims liabilities for Toka Tū Ake EQC indicate that total liabilities exceed its assets after accounting for reinsurance.

The Crown has entered into a Deficiency Funding Deed with Toka Tū Ake EQC to meet its obligation under Section 16 of the EQC Act to ensure that it can meet its liabilities as they fall due. The Crown has confirmed in writing to Toka Tū Ake EQC its intention to meet its obligation under Section 16 of the EQC Act to ensure that Toka Tū Ake EQC can meet all its liabilities as they fall due.

Section 16 states, “If the assets of EQC (including the money in the Fund) are not sufficient to meet the liabilities of EQC, the Minister shall, without further appropriation than this section, provide to EQC 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 prospective financial statements.

Measurement base

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

Functional and presentational currency

These prospective 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 prospective 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 prospective financial statements, with a significant risk of material adjustment in future periods.

Major assumptions underlying the prospective financial statements

These prospective financial statements provide information on the future financial performance, position and cash flows of Toka Tū Ake EQC. They are based on assumptions about future events that Toka Tū Ake EQC reasonably expects to occur. Actual results for the forecast periods are likely to vary from the information presented, and variations may be material.

While the current forecasts project Toka Tū Ake EQC will be able to meet claims payments in the immediate future, it is likely that Section 16 of the EQC Act (or an alternative agreed mechanism) will need to be activated for the Crown to provide guaranteed funding for cash flow requirements to allow Toka Tū Ake EQC to continue as a going concern during the 2023-2024 financial year. Claims costs directly related

to the occurrence of new major events, and the claims they produce, have not been forecast; \$62 million per annum has been provided for other claims settlements and fees.

We have included an initial provision of \$700 million for the recent weather events. This is a highly uncertain estimate and the actual claims costs is likely to differ from this estimate.

The Natural Hazards Insurance Bill was introduced to Parliament on 16 March 2022 and received Royal Assent on 27 February 2023. From 1 July 2024 the Natural Hazards Insurance Act 2023 (NHI Act) will replace the Earthquake Commission Act 1993 and changes the name of the Earthquake Commission to Toka Tū Ake EQC Natural Hazards Commission. The overarching objectives of the changes are to enable better community recovery from natural hazards, to clarify the role of Toka Tū Ake EQC and the cover provided by the Act, and to enhance the durability and flexibility of the legislation. Based on the Act, it is not expected there will be any substantive changes that will affect the prospective financial statements.

Reinsurance costs are based on management estimates prior to the 2023-2024 round of negotiations. Estimates for events claim expenses, liabilities and cash flows are based on the December 2022 actuarial update prepared by Melville Jessup Weaver.

The following actuarial assumptions were used in determining the claims liability at that date:

Claims inflation rate per annum

- Base inflation - 2.5%
- Elevated rate applied to building reopen costs for next two years - 3.3%-9.8%

Discount rate per annum - 4.12%-5.12%

Claims handling expense ratio

- Canterbury - 17.2%
- Kaikōura - 19.2%

Significant accounting policies

The following is a summary of the significant accounting policies that affect the prospective financial statements. A comprehensive list of policies is in the Toka Tū Ake EQC 2021-2022 Annual Report and will be included in the 2022-2023 Annual Report.

Insurance

Gross earned premiums and unearned premium liability

Premium income represents premiums, net of discounts, collected and paid to Toka Tū Ake EQC by insurance companies, brokers and individuals with EQCover. Gross earned premiums are classified as exchange transactions.

In accordance with Section 24(2) of the EQC 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 Prospective Statement of Financial Position as an unearned premium liability. Premiums receivable are reported net of discounts paid to collecting agencies in the Prospective Statement of Financial Position and are expected to be receipted within 12 months.

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 Prospective 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.

Other revenue

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.

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, plus an overhead margin, are reimbursed in arrears after each quarter end.

Outward reinsurance premium expense

Premiums paid to reinsurers are recognised by Toka Tū Ake EQC as outward reinsurance premium expense in the Prospective 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 Prospective Statement of Financial Position.

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.

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 occur when the actual or estimated settlement values of claims changed during the current financial year.

Outstanding claims liability

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 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 the New Zealand Society of Actuaries Professional Standard No.30 - Valuations of General Insurance Claims, and PBE IFRS 4 - Insurance Contracts.

The risk margin associated with an event is amortised over the financial year to reflect a reduction in uncertainty within the central estimate as increased numbers of claims are settled.

Natural Disaster Fund

The Natural Disaster Fund is managed in accordance with Section 13(3) of the EQC 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".

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 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.

