To Transport and Infrastructure Committee,

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Date: 16 February 2026

Thank you for the opportunity to submit on the Building (Earthquake-prone Buildings) Amendment Bill 2025 (the Amendment Bill).

Major earthquakes remain one of New Zealand's most significant and potentially costly natural hazards. The way risk in existing buildings is regulated and managed shapes both life-safety outcomes and the scale of loss when the next event occurs. Accordingly, the regulatory settings established through this Bill, and how they are implemented in practice, have long-term implications for people, Crown finances, insurance markets, and the resilience of the national economy.

About the Natural Hazards Commission Toka Tū Ake (NHC)

NHC is a Crown entity established under the Natural Hazards Insurance Act 2023. The Act sets the Commission's objective as reducing the impact of natural hazards on people, property, and communities.

NHC gives effect to that objective by administering the natural hazards insurance scheme and investing in resilience. We fund research and data that improve understanding of hazard and risk, enable better risk management and resilience, and support readiness and recovery.

Why NHC is providing this submission

One of NHC's functions under the NHI Act is to facilitate research and education, and contribute to the sharing of information, knowledge, and expertise (with the Crown, public and private entities, and the public generally), including in relation to:

- natural hazards and their impacts,
- community resilience to natural hazards, and
- planning for, and recovering from, natural hazards.

We invest in research and education about natural hazards and use this information to enable and inform policy and practice.

As the 'first loss' insurer for damage to residential dwellings resulting from the natural hazards listed in the NHI Act, NHC carries significant financial risk on behalf of the Crown. We therefore have a strong interest in reducing risk and improving resilience across New Zealand.

Our focus is on long-term resilience and a building stock that remains safe and functional over time. As climate change increases the frequency and severity of natural hazards covered by the NHC Scheme, clear and risk-based policy frameworks become more important. Our advice and recommendations are intended to support careful choices that reduce long-term risk to people, property, and the Crown.

NHC supports the intent of the Building (Earthquake-prone Buildings) Amendment Bill

The earthquake-prone building (EPB) system is one of the main levers New Zealand uses to manage seismic risk in existing buildings. Compliance under the existing system has stalled, and the changes represent a pragmatic balance between risk reduction and economic feasibility. NHC supports the removal of the New Building Standard percentage (%NBS) as a regulatory metric, which has been widely misunderstood and inconsistently applied in conveying seismic life-safety risk.

The success of the amended system will depend heavily on implementation. In particular, this will require a simple and evidence-based replacement for %NBS, transparent communication of residual life-safety risk for buildings removed from the system, and appropriate support for owners of buildings that remain subject to remediation requirements.

Any changes to the system may have a significant impact on which buildings are required to manage their seismic risk, and how. The new proposed regulatory settings may increase potential losses for homeowners in a future earthquake, and could also increase the financial exposure for the NHC Scheme (e.g., nearly 40% of currently identified earthquake-prone buildings in Auckland have some degree of residential use, meaning NHC likely provides insurance for many of these properties under the NHI Act).

NHC recommends the following changes to the Building (Earthquake-prone Buildings) Amendment Bill

While we support the intent of the bill, NHC makes the following recommendations.

Recommendation 1: Retain minimum strengthening requirements in low seismic zones

NHC recommends retaining minimum, targeted seismic risk-management measures in low seismic zones, such as façade or parapet securing or strengthening of unreinforced masonry (URM) buildings. These proportionate measures can materially reduce economic losses and life-safety impacts, while limiting recovery costs and Crown exposure.

MBIE commissioned a study to better understand how New Zealand's earthquake-prone building system affects economic losses[1]. The study found that while Auckland faces lower seismic hazard than regions such as Wellington, it has around 2.5 times more earthquake-prone buildings. Because of this, rare earthquakes in Auckland could cause losses that are similar to, or larger than, those expected in Wellington.

[1] *Economic Analysis of New Zealand's Earthquake-Prone Buildings*. Beca Limited. May 2025

The study also shows that simple, targeted strengthening measures such as securing façades on URM buildings can significantly reduce these losses. Strengthening buildings in Auckland to a basic level of seismic performance could reduce losses from a large earthquake by around 75%, lowering estimated losses from approximately NZ$56 billion to NZ$13.5 billion.

The current Amendment Bill risks creating the misperception that areas classified as "low seismic hazard," such as Auckland, face no meaningful seismic risk. If regulation signals that no action is required, owners may rationally defer even low-cost mitigations. Without a minimum strengthening requirement, avoidable seismic risk remains, with implications for people, property, and insurers, including NHC.

Recommendation 2: Enable the EPB system to use the best available knowledge and information to identify earthquake-prone buildings

NHC recommends that Territorial Authorities retain the ability to identify any building as earthquake-prone, including buildings not identified as earthquake-prone before 1 July 2006 or not included in the EPB register by 1 July 2027, and regardless of the age of design or construction. Designating a building as earthquake-prone should remain possible at any time, where this is supported by improved science, research, or advances in earthquake engineering.

New section 133ZC of the Bill restricts the ability of Territorial Authorities to identify buildings as earthquake-prone, if it was not previously assessed as such. This limits the system's ability to address legacy decisions made using older methodologies.

NHC invests in natural hazard and engineering research, including research on how buildings perform in earthquakes. Territorial Authorities should be able to use the best available evidence from such research to inform risk-based decisions.

We welcome the opportunity to discuss this submission further.

Yours sincerely,

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Chief Resilience Officer