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Natural Hazards Commission Toka Tū Ake

Statement of Performance Expectations

2026/27

Te Kāwanatanga o Aotearoa
New Zealand Government

Natural Hazards Commission
Toka Tū Ake

This Statement of Performance Expectations is a formal public accountability document required under Section 149C of the Crown Entities Act 2004. It outlines planned work and financial information for the period 1 July 2026 to 30 June 2027 for Natural Hazards Commission Toka Tū Ake. Relevant historical and forecast comparative information is also provided for the benefit of readers.

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June 2026
Natural Hazards Commission
Toka Tū Ake

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Board statement of responsibility

This *Statement of Performance Expectations 2026/27* sets out our performance targets and prospective financial statements for the year 1 July 2026 to 30 June 2027. It is produced according to the requirements of the Crown Entities Act 2004.

Natural Hazards Commission Toka Tū Ake is responsible for preparing 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 according to Public Benefit Entity Financial Reporting Standard 42 (PBE FRS 42). They have not been audited and should not be relied on for any other purpose.

Chris Black
Board Chair
15 June 2026

Alastair Hercus
Deputy Board Chair
15 June 2026

The year ahead

Tēnā tātou katoa.

Natural Hazards Commission Toka Tū Ake (NHC Toka Tū Ake) exists to help New Zealanders prepare for and recover from natural hazards.

We manage the Natural Hazards Insurance scheme, which provides New Zealand with protection against natural hazards. This begins with our work in resilience, which improves understanding of natural hazard risk and supporting better decisions that reduce risk over time. It continues through our readiness work, which ensures the systems, processes and financial support are in place to support effective recovery after an event.

The benefit for the New Zealand public is financial resilience, faster recovery, greater awareness of risk, and trust that support will be available when it is needed most.

As the core foundation of the scheme, we provide 'NHCover', New Zealand's national public natural hazards insurance for homes and some residential land.

NHCover is automatically included with most private home insurance policies for fire. If a natural hazard event damages a home or eligible residential land, the homeowner lodges a claim with their private insurer, who manages the assessment and settlement process on our behalf. We then reimburse the insurer for the NHCover portion of the claim using the Natural Hazard Fund, and reinsurance in significant events. This enables faster claims payments and allows homeowners to begin repairs and recovery sooner.

Our four strategic pillars – resilience, readiness, risk financing, and recovery – will continue to guide our work this year, helping ensure homeowners, communities and our country are better prepared for natural hazards and able to recover when events occur.

Looking back at the year just gone

An important part of managing the scheme is a commitment to continuous improvement and learning from each event. We commissioned a review following the severe weather events that struck New Zealand in early 2023.

As a result of the review's findings, we have made changes to speed up the process for assessing damage, particularly for land damage claims, and launched a number of campaigns to increase homeowner understanding of how they can make claims for land damage.

It is important to know that this land cover is available, but it is limited to the value of the insured damaged land and is a contribution to repair cost. These changes will improve homeowner understanding of their own situation before a natural hazard event occurs and speed up the claims process if damage is caused.

We made significant progress in delivering the Crown's On-sold programme in Canterbury, which was a programme set up to offer a time-limited remedy for buyers of earthquake-damaged homes bought before 15 August 2019. A total of 1175 homes have been repaired through this programme.[1] We also continue to settle requests from Canterbury homeowners who identify new damage to add to their property claim, with over 1400 reopened claims settled during the 2025/26 year.

Our scheme continues to be held in high regard by overseas reinsurers, and we were able to secure a record total of $12.3 billion of reinsurance for 2026/27. This cover helps to ensure claims can be met and protects the Crown's balance sheet following major natural hazard events in New Zealand.

In early 2026, landslides and floods in the North Island caused significant damage and, tragically, loss of life. We have been working in partnership with insurers to make sure the approximately 1400 claims we received are settled as quickly and effectively as possible, so people can get back into their homes and continue their recovery.

1 At 31 May 2026.

Continued progress this year

This Statement of Performance Expectations (SoPE) covers the third year of our Statement of Intent (SOI).

To demonstrate the value of our work and the difference it makes for New Zealanders, our performance framework is evolving to place even greater emphasis on the outcomes we seek and the impact we make.

Strengthening resilience

Reducing the impacts of natural hazards over time requires a more in-depth understanding of risk and better decisions about where and how we build and live. Through our resilience work, we contribute to improving that understanding and supporting risk reduction across all aspects of the residential housing portfolio.

In the 2026/27 year, we will continue to invest in research, data and modelling that improve New Zealand's understanding of natural hazard risk. This includes supporting the development of national-scale hazard models, improving the evidence base for decision-makers, and ensuring research findings are translated into practical insights that can inform planning, investment and household decisions.

As part of our work towards this, we will improve the visibility and usability of research so it can support risk reduction by decision-makers across central and local government, and communities.

We will also continue to support collaboration between researchers, practitioners and policymakers so that new knowledge can be translated into real-world action.

We will make natural hazard risk and preparedness information more accessible and usable. Our public education programme continues to reach a range of communities, and the next phase of the Natural Hazards Portal will improve homeowners' access to information about natural hazard risk in the places they live or are considering moving to.

Improving our readiness to respond

Natural hazard events can occur at any time, and effective recovery depends on the systems and partnerships that are in place before an event occurs.

In addition to reviewing significant events that have already occurred, we improve our preparation for major events by participating in simulations with partners, which test a likely scenario and how we would respond. These simulations allow us to test our systems, processes and decision-making, and to build capability across the organisations that work together during an event.

We will continue to enhance how we work with insurers to keep improving the claim experience for homeowners. This includes progressing further initiatives to strengthen how our joint operating model operates in practice, such as communicating with homeowners about NHCover, developing a technical training strategy to build capability, improving land assessment approaches, and ensuring surge capacity for significant natural hazard events.

Ensuring the scheme's financial sustainability

In line with our Statement of Investment Policies and Objectives, we aim to grow the Natural Hazard Fund through a diversified investment strategy. This, along with growth in our reinsurance programme, increases our ability to meet the costs of future NHCover claims.

Progressing the Canterbury recovery

Fifteen years on from the Canterbury earthquakes, the number of queries relating to the discovery of new damage continues to decline, and we are working to support a small number of remaining homeowners through the Crown's On-sold programme.

Delivering value from artificial intelligence

Artificial intelligence (AI) will be a growing focus in 2026/27, building on pilots undertaken in 2025/26. We will adopt AI in a targeted and responsible way to automate manual processes, improve access to technical information, and support decision-making.

Meeting the Government's expectations

In addition to the focus areas outlined above, the Minister has asked us to support development of a business case for implementing a public infrastructure risk management scheme. We will work closely with the Treasury on this, while ensuring we continue to effectively govern and manage the Natural Hazards Insurance scheme. We also note that the priorities and expectations outlined in last year's Letter of Expectations remain in place.

As we go forward, our Board and management team remain focused on effectively governing and managing the Natural Hazards Insurance scheme and our organisation under the requirements of the Government's Enduring Letter of Expectations to statutory Crown entities and in the best interests of New Zealand.

We continue to work towards being a world-class public insurance scheme that reduces the impact of natural hazards on people, property and the community.

Te tau kei mua

Tēnā tātou katoa.

Ko tā te Toka Tū Ake (NHC Toka Tū Ake) he āwhina i te iwi o Aotearoa kia nohonga rite, me te whakarauora hoki i muri i ngā pūmate ā-taiao.

Ka whakahaere mātou i te kaupapa inihua pūmate ā-taiao, e tuku nei i te parenga ki a Aotearoa mai i ngā pūmate ā-taiao. Ka tīmata tēnei i a mātou mahi whakamārohirohi, otirā ka whakapiki i te mārama ki te tūraru o te pūmate ā-taiao me te tautoko i ngā whakataunga angitu ake, ka whakaiti i taua tūraru ā tōna wā. Ka kawea tonutia i roto i ā mātou mahi nohonga rite, e whakarite nei i ngā pūnaha, ngā tukanga me te tautoko pūtea ki te tautoko i te whakarauoratanga whaitake i muri o tētahi pānga pūmate.

Ko te pānga ki a Aotearoa ko te manawaroa ā-ahumoni, te whakaora tere ake, te pikinga mōhio ki te tūraru, me te pono anō ka wātea he tautoko i te wā ka tino hiahiatia.

Ko te pūtake o te kaupapa, ka whakarato mātou i te 'NHCover' arā te inihua pūmate ā-taiao tūmatanui ā-motu o Aotearoa mō ngā kāinga me ētahi whenua papanoho.

Ka aunoa te uru o te NHCover ki te nuinga o ngā kaupapa inihua whare tūmataiti mō te ahi. Ina tūkinohia he kāinga, he whenua papanoho māraurau rānei i te pūmate ā-taiao, ka tuku kerēme te kaipupuri ki te inihua tūmataiti, māna e whakahaere i te aromatawai me te tukanga whakataunga mā mātou. Kātahi ka whakahokia ngā pūtea ki te inihua e mātou mō te wāhanga NHCover o te kerēme, mai i te Tahua Pūmate ā-Taiao – me te inihua-rua i ētahi pūmate nui – otirā kia pai ai te tīmata a ngā kaipupuri whare ki te whakatikatika me te whakarauora.

Ka ārahi tonu ngā pou rautaki e whā – manawaroatanga, nohonga rite, pūtea tūraru me te whakarauora – i ā mātou mahi i tēnei tau, hei āwhina ki te whakarite kia pai ake te nohonga rite a ngā kaipupuri whare, ngā hapori me te motu mō ngā pūmate ā-taiao, me te whakarauora anō ina pā he āhuatanga pūmate.

Te titiro whakamuri ki te tau ka hipa

Ko tētahi mea nui o te whakahaere i te kaupapa nei ko te pūmautanga ki te whakapai haere tonu me te ako i muri mai o ia āhuatanga pūmate.

I kōmihanahia he arotake i muri mai i ngā huarere kino i pā ki Aotearoa i te pane o te 2023.

Nā ngā kitenga o te arotake, kua puta ētahi panonitanga ki te whakatere ake i te tukanga o te aromatawai i te tūkinotanga, ina koa rā mō ngā kerēme tūkino whenua, me te whakarewa i ētahi whakatairanga hei whakapiki i te mārama o ngā kaipupuri whare o te tuku kerēme mō te tūkino whenua. He mea nui hoki kia mōhio e wātea ana he inihua, engari kua herea i ētahi wā ki te uara o te whenua tūkino kua inihuatia, ā, he tāpaetanga hoki hei utu i ngā whakatikatika. Nā ēnei panonitanga ka whakapiki i te mārama o ngā kaipupuri whare ki tō rātou ake āhuatanga i mua o te pānga o tētahi pūmate ā-taiao me te whakatere ake i te tukanga kerēme ina tūkinotia he whenua.

He nui ngā kokenga ki te whakatinana i te hōtaka On-sold a te Karauna I Waitaha, otirā he hōtaka i whakaritea ki te tāpae i rongoā wā-poto mā ngā kaihoko o ngā whare i tūkinohia e te rū whenua mēnā i hokona te whare i mua i te 15 o Ākuhata 2019. Kua eke ki te 1175 ngā kāinga katoa kua whakatikaina i tēnei wā mā roto i te hōtaka.[2] E whakatau tonu ana mātou i ngā tono i ngā kaipupuri whare o Waitaha ka tautohu i ngā tūkino hou hei tāpiri ki tō rātou kerēme papanoho, otirā neke atu i te 1400 ngā kerēme kua huakina anō i whakatauhia i te tau 2025/26.

He nui tonu te whakaute a ngā kai-inihua āpiti o tāwāhi, otirā i riro mai i a mātou te tapeke rekoata nui o te $12.3 piriona o te inihua āpiti i te 2026/27.

Ko tā tēnei inihua he whakarite kia taea e mātou te utu i ngā kerēme, me te tiaki anō i te puka kaute e te Karauna i muri mai i ngā āhuatanga pūmate ā-taiao i Aotearoa.

I te pane o te 2026, he nui rawa atu te tūkino i puta i ngā horonga me ngā waipuke i Te Ika-a-Māui, waihoki, ko te tangata hoki te utu. Kua mahi ngātahi mātou me ngā kaituku inihua ki te whakarite kia tere, kia whaitake hoki te whakatauhia o ngā kerēme 1400 i tukua ki a mātou, kia wawe ai te hoki o te tangata ki ō rātou whare, me te whakaora anō.

E koke whakamua tonu ana i tēnei tau

Ka kapi i tēnei Tauākī Whāinga Mahi (SoPE) te tau tuatoru o tā mātou Tauākī Takunetanga (SOI).

Hei whakaatu i te uara o ā mātou mahi me ngā hua ka puta ki te iwi o Aotearoa, e kukune haere ana tā mātou anga mahi kia nui ake te aronga ki ngā putanga e whāia ana e mātou me te nui o te pānga.

Te whakapakari ake i te manawaroatanga

E tutuki ai te whakaiti i te pānga o ngā pūmate ā-taiao ā tōna wā, me hōhonu ake te mārama ki te tūraru me ngā whakataunga pai ake mō ngā wāhi hei whakatū whare, wāhi noho, otirā me pēhea hoki te whakatū. Mā roto i ā mātou mahi manawaroa, ka whai wāhi mātou ki te whakapikinga

2 Mai i te 31 o Haratua 2026.

o te māramatanga me te tautoko i te hekenga o te tūraru puta noa i ngā āhuatanga katoa o te kaupapa whare noho.

I te tau 2026/27, ka haumi tonu mātou ki te rangahau, ngā raraunga me ngā tauira ka whakapiki i te māramatanga o Aotearoa ki te tūraru pūmate ā-taiao. Ka uru ki tēnei te tautoko i te whanaketanga o ngā tauira pūmate āwhata ā-motu, hei whakawhānui i te puna taunakitanga mā ngā kaiwhakatau take, me te whakarite anō kia tahuri ngā kitenga rangahau ki ngā tirohanga whaitake ka whai mōhio ki ngā whakamaheretanga, ngā haumitanga me ngā whakataunga a ngā whānau.

Hei wāhanga o ā mātou mahi koke, ka whakapai haere mātou i te ariari me te whakamahinga o ngā rangahau kia pai ai te tautoko i te hekenga tūraru e ngā kaiwhakatau take puta noa i te kāwanatanga me ngā kaunihera, ā, me ngā hapori. Ka haere tonu ā mātou mahi ki te tautoko i ngā kaupapa mahi tahi a ngā kairangahau, ngā ringa rehe me ngā kaihanga ture, kia pai ai te whakatinana i ngā mātauranga hou.

Ka tomopai ake, ka whai take ake ngā mōhiohio tūraru me te nohonga rite mō te pūmate ā-taiao. E toro tonu ana tā mātou hōtaka mātauranga tūmatanui ki ngā hapori huhua, ā, ko tā te huringa hou o te Tomokanga Pūmate ā-Taiao he whakapai ake i te āheinga o ngā kaipupuri whare ki ngā mōhiohio mō ngā tūraru pūmate ā-taiao i ngā wāhi e noho nei rātou, e whakaarotia nei e rātou hei wāhi noho.

Te whakapai ake i tō tātou nohonga rite ki te urupare ake

He ohorere te tūponotanga mai o ngā pūmate ā-taiao, otirā ka whirinaki te whakaoranga whaitake ki ngā pūnaha me ngā rangapūtanga kua rite kē i mua noa atu o te pānga mai.

Āpiti ki te arotake i ngā āhuatanga nui kua pā kē mai, ka whakapai ake mātou i te ritetanga mō ngā āhuatanga nui mā te whai wāhi ki ngā whaihanga me ngā hoa ka whakamātau i tētahi tatūnga, ā, me te āhua o te urupare ake. Nā ēnei momo whaihanga ka āhei ai mātou ki te whakamātua i ō mātou pūnaha, ngā tukanga me ngā whakataunga take, me te whakapiki i te mātau puta noa i ngā whakahaere ka mahi ngātahi i te wā o tētahi pānga.

Ka haere tonu ā mātou mahi ki te whakatītike i ā mātou mahi me ngā kaituku inihua ki te whakapai ake i te wheako tuku kerēme mā ngā kaipupuri whare. Ka uru ki tēnei te kōkiri haere i ngā kaupapa hei whakapakari i te āhua o ngā whakahaerenga ā-tinana o tā mātou tauira whakahaere ngātahi, pēnei i te whakawhiti kōrero ki ngā kaipupuri whare mō te NHCover, te whanaketanga o tētahi rautaki whakangungu mātanga hei whakapiki i te mātau, ngā tikanga aromatawai whenua pai ake, ā, me te whakarite i te raukaha auripo ina pā he pūmate ā-taiao.

Te whakarite i te toitū ā-ahumoni o te kaupapa

Mā te whai haere i ngā aratohu o ā mātou Kaupapahere me ngā Whāinga o te Tauākī Haumitanga, e whai ana mātou ki te whakatipu me te tiaki anō i te Tahua Pūmate ā-Taiao mā te whakakanorau i te āhua o te haumi i te tahua. Mā tēnei, tae atu ki te tipuranga o tā mātou hōtaka inihua āpiti, ka piki tō mātou āhei ki te whakaea i ngā utu o ngā kerēme NHCover anamata.

Te kōkiri whakamua i te whakarauoratanga o Waitaha

Tekau mā rima tau i muri mai o ngā rū whenua i Waitaha, e tāheke tonu ana te nui o ngā kerēme e pā ana ki te kitenga o ētahi tūkino hou, ā, e mahi ana mātou ki te tautoko i tētahi rōpū iti o ngā kaipupuri whare e toe tonu ana, mā roto i te hōtaka On-sold a te Karauna.

Ko te whakaputa i te uara i te atamai horihori

Ka tipu te aronga ki te atamai horihori (AI) ā te 2026/27, otirā ka kake whakarunga i ngā kaupapa pairete o te 2025/26. Ka kuhu mātou ki te AI i runga anō i tētahi tikanga heipū, pono hoki ki te whakaaunoa i ngā tukanga ā-ringa, te whakapai ake i te āheinga ki ngā mōhiohio mātanga me te tautoko i ngā whakataunga take.

Te whakatutuki i ngā kawatau a te Kāwanatanga

Āpiti atu ki ngā aronga kua whakahuatia i runga, kua tono mai te Minita, i runga anō i ngā whakaaetanga ā-Mahere Pūtea, kia tautokona e mātou te whanaketanga o tētahi tikanga pakihi hei whakatinana i tētahi kaupapa pūtea tūraru rawa tūmatanui. Ka mahi tata mātou ki Te Tai Ōhanga ki tēnei take, me te whakarite anō kia kawea tonutia ngā mahi mana hautū, whakahaere hoki i te kaupapa Inihua Pūmate ā-Taiao kia whaitake ngā mahi. Ko tā mātou hoki e kī ana, kei te mau tonu ngā whakaarotau me ngā kawatau i whakatakotoria ki te Tuhinga Kawatau o tērā tau.

I a mātou e ahu whakamua ana, e ū tonu ana tō mātou Poari me ngā kaiwhakahaere ki te mana hautū me te whakahaere whaitake i ngā Inihua Pūmate ā-Taiao.

Ko te kaupapa Inihua me tō mātou whakahaere, ka tau ki raro i ngā herenga o te Tuhinga Kawatau Mauroa a te Kāwanatanga, otirā hei painga anō mō Aotearoa.

Ka haere tonu ngā mahi kia eke tēnei hei kaupapa Inihua whakaihuwaka ā-ao, e whakaiti nei i te pānga o ngā pūmate ā-taiao ki te tangata, te papanoho me te hapori.

Our strategic framework

We introduced a refreshed strategic framework in 2024/25 and published our *Statement of Intent 2024–2028* to align with the Natural Hazards Insurance Act 2023, all of which came into effect on 1 July 2024.

Our strategic framework is designed to be both aspirational and tangible – something our people, and all New Zealanders, can look to for guidance as we collectively navigate natural hazard risk over the coming years.

Our vision

To be a world-class public insurance scheme that reduces the impact of natural hazards on people, property, and the community

Our priorities

RESILIENCE	READINESS	RISK FINANCING	RECOVERY
Strengthen **RESILIENCE** by building knowledge and understanding of natural hazard risks to improve decision-making	Continuously enhance our **READINESS** for natural hazard events	Use our **RISK FINANCING** expertise to manage the fiscal risks of providing natural hazards insurance cover	Support homeowner and community **RECOVERY** by working with our partners to deliver a transparent, timely, high-quality and responsive process for natural hazards insurance claims

Our outcomes

Stronger homes built on better land: decision-makers, homeowners, and communities understand natural hazard risks and take action to reduce risk and build resilience	NHC Toka Tū Ake and its partners are prepared to deliver the best possible claims process when a natural hazard event occurs	Homeowners have an accessible, sustainable way to help manage financial impacts of natural hazard events	Homeowners receive settlements that support effective recovery after natural hazard events

Our success is enabled by:

- Effective and responsive **communication** that ensures we share our expertise, and learn from and work with homeowners, communities, and our partners
- Being **trusted experts** in natural hazards insurance, risk financing, and natural hazards risk and resilience
- Delivering impact through collaborative, long-term **relationships** including the Natural Disaster Response Model
- Advice and actions grounded in **science and evidence** and enabled by data, technology, and insights
- Having a **growth culture** where our people feel safe, connected, empowered, valued and engaged

Priorities, outcomes and measures

Flowing from the strategic framework are our strategic priorities, outcomes and measures.

The strategic priorities guide all our activities and business planning. They describe the impact we are seeking to make, what we intend to deliver under the *Statement of Intent 2024–2028* (SOI), and how we measure our progress.

Our work is organised around four output classes – Resilience, Readiness, Risk financing, and Recovery – each with a strategic priority and outcomes over the period of the SOI.

Delivering these priorities, consistent with our statutory mandate, will help ensure New Zealanders are better prepared for natural hazards and supported to recover quickly. This is our vision: a world-class public insurance scheme that reduces the impact of natural hazard events on people, property and communities.

The strategic framework also outlines the organisational enablers required for us to be successful and achieve the desired outcomes.

Priorities: Where we will focus over the next 4 years	Outcomes: The difference we want to make for New Zealanders	Measures: How we will know we are on track to meet these outcomes	Output classes in this SoPE
Strengthen resilience by building knowledge and understanding of natural hazard risks to improve decision-making	Stronger homes built on better land: decision-makers, homeowners, and communities understand natural hazard risks and take action to reduce risk and build resilience	• Measuring access by internet users to our publicly available information • Assessing improvements to our loss modelling capability • Evaluating our impact on policy, planning and practice • Quantifying public understanding of natural hazards and public action on natural hazard risks • Measuring our research impact and benefits	Class 1: Resilience
Continuously enhance our readiness for natural hazard events	We and our partners are prepared to deliver the best possible claims process when a natural hazard event occurs	• Making sure the Natural Disaster Response Model can scale to respond to a large event • Testing readiness for a significant event • Measuring public trust and confidence in the scheme	Class 2: Readiness
Use our risk financing expertise to manage the fiscal risks of providing natural hazards insurance cover	Homeowners have an accessible, sustainable way to help manage the financial impacts of natural hazard events	Ensuring the cost of reinsurance cover reflects an efficient and effective transfer of risk by considering cost relative to the Crown's cost of capital and whether it is in line or within the net cost specified in the Funding and Risk Management Statement	Class 3: Risk financing
Support homeowner and community recovery by working with our partners to deliver a transparent, timely, high-quality and responsive process for natural hazard insurance claims	Homeowners receive settlements that support effective recovery after natural hazard events	• Assessment of claims outcomes to ensure they are timely • Assessment of claims outcomes to ensure they are enduring • Assessment of our complaints outcomes • Evaluation of customers' claims experiences	Class 4: Recovery

Government expectations

Letter of Expectations 2026/27

The Government's priorities for us are outlined in an annual Letter of Expectations from the Minister of Finance. In summary, we are expected to continue progressing expectations set in 2025/26, support the Government's overarching objectives, and achieve the specific expectations the Minister has outlined for us for 2026/27.

The ongoing expectations are to:

- actively administer the On-sold programme and effectively manage the remaining applications
- work collaboratively with Southern Response Earthquake Services to resolve claims from the Canterbury earthquake sequence
- implement our Statement of Investment Policies and Objectives
- progress the practical improvements we identified from the severe weather events in 2023.

Public infrastructure risk management scheme	We will continue developing the detailed business case for a public infrastructure risk management scheme to help manage risks to public assets from natural hazards. We will work closely with the Treasury on this, while continuing to effectively govern and manage the Natural Hazards Insurance scheme. If we identify any issues that could affect delivery of either activity, we will raise them early with the Treasury and the Minister's office.
Canterbury earthquake claims	We will continue working with Southern Response Earthquake Services Limited to help resolve new claims from the Canterbury earthquake sequence as quickly and fairly as possible, so affected homeowners can reach a final outcome.
Continuing to link our operational effort to outcomes	Some of our work has an immediate impact (settling a claim) and some has a longer-term benefit (risk reduction, building resilience, ensuring our systems are ready for a significant event). We will continue exploring ways to express this through our performance measures and by engaging with the Treasury and relevant stakeholders on this work.

Enduring Letter of Expectations to statutory Crown entities

The Government's ongoing expectations of Crown entities are outlined in an Enduring Letter of Expectations from the Minister of Finance and the Minister for the Public Service from April 2024.

- We will make sure public money and assets are used wisely and deliver clear benefits for New Zealanders. Where priorities change, we will adjust our focus to achieve the best results.
- We will have a full understanding of our cost drivers and performance against outcomes and be able to clearly account for these in reporting to our Minister and the public.
- Our Board is accountable for how we perform, including regularly reviewing the Chief Executive's performance. The Chair will keep the Minister informed about risks and how we are performing, share emerging issues early, and respond promptly to any requests for information. We will also work openly and constructively with the Treasury, which monitors our performance.
- We will comply with relevant legal obligations, guidelines and standards. All Board members will give effect to the Code of Conduct for Crown Entity Board Members, including upholding the principle of political neutrality.

We have integrated these expectations into how we conduct our core functions, including how we continue to build our organisational capability to meet our strategic priorities.

What we will deliver in 2026/27

The following sections outline the activities we intend to undertake over the next financial year under each of our four strategic pillars (resilience, readiness, risk financing, and recovery).

Our strategic pillars translate into our four output classes. We intend to:

- strengthen resilience by building knowledge and understanding of natural hazard risks to improve decision-making
- continuously enhance our systemic readiness for natural hazard events
- manage the levies we collect carefully, including by investing the Natural Hazard Fund and buying reinsurance, so funds are available to pay claims when natural hazard events happen
- help homeowners and communities recover by making the claims process clear, timely and high quality, working directly with homeowners and alongside our insurer partners.

For each priority and output class, we set out:

- how we will track progress towards delivering our outcomes (measures)
- how each measure shows progress towards outcomes for New Zealanders (rationale)
- the equivalent performance result (actual) from the 2024/25 year, where available
- the expected performance result (forecast) for the 2025/26 financial year, where available
- the performance target for the 2026/27 financial year
- the performance target for 2025/26 for comparison
- the proposed expenses for the output class.

Revenue and expenses

Most people with private home insurance cover for fire automatically pay the Natural Hazards Insurance levy and are provided with NHCover, subject to conditions as set out in legislation.

This revenue covers costs incurred against the four output classes, with the difference between revenue and expenses used to pay current claims or retained in the Natural Hazard Fund.

Our performance is assessed and reported regularly to our monitoring agency, the Treasury. We are also audited annually by the Audit Office.

The forecast revenue and expenses for each of the output classes for the financial year 2025/26, and the budgeted revenue and expenses for the financial year 2026/27, are as follows.

Output class	2026/27 budget revenue	2026/27 budget operating expenses	2025/26 forecast revenue	2025/26 forecast operating expenses
Resilience	Natural Hazards Insurance levy: $916 million Investment revenue: $26 million Other operating revenue: $5 million	Operating expenses: $33 million	Natural Hazards Insurance levy: $913 million Investment revenue: $21 million Other operating revenue: $5 million	Operating expenses: $32 million
Readiness		Operating expenses: $25 million		Operating expenses: $23 million
Risk financing		Operating expenses: $7 million Investment management fees: $1 million Reinsurance premiums: $458 million		Operating expenses: $7 million Reinsurance premiums: $449 million
Recovery		Operating expenses: $49 million[3] Claims costs: $136 million[4]		Operating expenses: $54 million Claims costs: $111 million

3 Recovery operating expenses are higher than presented in previous Statement of Performance Expectation documents due to the inclusion of event-related claims handling expenses. Details on the level of claims handling expenses can be found in the Prospective Financial Statements.

4 Claims costs includes modelling for 2026/27 using a 50% probability of sufficiency; that is, there is a 50% likelihood that actual claims costs will be at or below the budget. The 2026/27 financial year is the second year in which budgets have been set on a probability-of-sufficiency basis, reflecting our modelling of natural hazard risk. Previous budgets were based on historical claims, excluding any material events.

Output 1: Resilience

Our strategic priority is to strengthen resilience by improving understanding of natural hazard risks and supporting better decisions that reduce risk over time.

We want to equip decision-makers, homeowners and communities with a clearer understanding of natural hazard risks so they can take action to reduce risk and strengthen resilience.

In essence, we want to see fewer homes built in risky places, better building decisions, and greater awareness of natural hazard risks.

This level of investment in resilience is also distinctive compared with many public natural hazard insurance schemes overseas, which focus mainly on paying claims after events. We see reducing risk as a critical part of New Zealand's broader adaptation to changing natural hazard risk. International evidence consistently highlights that investing in risk reduction helps lessen negative impacts, supports faster recovery, and keeps insurance affordable and sustainable over time.

Over the coming year, we will progress the activities outlined below to achieve these goals. They build on our existing programmes and reflect our role within New Zealand's wider natural hazard risk management and climate adaptation system.

Science, research and risk knowledge

We will invest in science and research that improves understanding of natural hazard risks and supports risk reduction in policy and practice. We fund research grants and sponsorships, support the capability, capacity and coordination of the natural hazard science and research community, and invest in data and models that improve understanding of natural hazard risk and potential loss.

This includes supporting research that considers future natural hazard risk, including the effects of climate change and compounding hazards, and improving the translation of scientific evidence into practical insights for decision-makers across the system.

Loss modelling and scenario capability

Loss modelling helps us estimate the likely cost of future events and plan ahead. This helps guide decisions that strengthen resilience, improve readiness for major events, support effective recovery, and safeguard the long-term sustainability of the Natural Hazards Insurance scheme.

Our Loss Modelling Strategy sets out how we will continue to invest in science and modelling to build a comprehensive understanding of natural hazard risk across the hazards covered by the scheme.

This work will strengthen our ability to analyse potential losses, understand how different events could affect households and communities, and support decision-making across the organisation and the wider system.

Over the coming year, we will further develop our loss modelling capability, including building additional scenarios to support readiness planning, improving how modelling informs event response and claims management, and identifying where investment in risk reduction could most effectively reduce future losses. This capability is supported by our ongoing investment in science, including geophysical and geotechnical data collection, as well as analysis of our own claims data.

Resilience-informed policy, planning and practice

We support this work by providing high-quality data, information and evidence on natural hazard risk in submissions, standards and guidance, and by funding hazard maps and data.

We will work with sector professionals and stakeholders to implement our two action plans: *Smarter Land Use* and *Resilient Homes and Buildings*. These plans aim to improve New Zealand's resilience through smarter, risk-informed land use planning and stronger building regulation, governance and practice.

We will also contribute advice to cross-government priorities and decision-making to improve the management of natural hazard risk, and inform, support and influence local government planning.

We will do this by providing formal submissions on statutory plans and through one-off grants for improved natural hazard risk information and mapping.

Together, these activities support more consistent, evidence-based decision-making that avoids creating new risk and reduces long-term natural hazard risk.

Public awareness, preparedness and access to risk information

We support public awareness and preparedness for natural hazards through public education and tools, such as our Natural Hazards Portal.

Our public education programme provides advertising campaigns on preparedness measures and facilitates education by working closely with national and local providers, including museum partnerships and region-specific programmes, such as *AF8* with a focus on the Alpine Fault hazard, and *East Coast LAB* focused on the Hikurangi subduction zone.

Our Natural Hazards Portal helps people make more-informed decisions about living with natural hazard risks by increasing their awareness of natural hazards that may have previously damaged, or might damage, the homes they and their whānau live in or could live in.

These initiatives support greater understanding of risk before, during and after events, helping households and communities prepare, respond and recover more effectively.

2026/27 proposed expenses

Proposed expenses for the resilience output class are $33.3 million. This includes costs for investing in:

- research, including supporting GeoNet, New Zealand's national geohazards monitoring system, developing national-scale hazard and risk models, and further developing the national building database. This activity improves national natural hazard information so councils and homeowners can make safer choices.
- loss modelling capability and capacity, focusing on embedding loss modelling as a core decision-support tool. This means broader use of loss modelling for scenario development, event readiness and stress testing, and response and recovery planning. This activity supports better planning for major events and targeting risk-reduction investment.
- programmes that support the science-to-policy or science-to-practice pipeline, including delivering our existing action plans for smarter land use, resilient homes and buildings, and climate action. This activity guides decision-making to reduce risk.
- public education campaigns and programmes, including public advertising, museum sponsorships and school programmes to support awareness, preparedness and understanding of natural hazard risks and how these risks may change over time. This activity helps to raise public understanding of how to reduce risk over time.

How we measure performance

Resilience outcomes are long term and system wide, and attribution to any single intervention is often difficult. So, our measures include leading indicators that track progress and capability-building now, alongside measures that signal longer-term shifts in understanding, decisions and behaviour.

To understand if we are making a difference, we will measure our progress in four areas:

- Evaluating our impact on policy, planning and practice.
- Quantifying public understanding of natural hazards and public action on natural hazard risks.
- Assessing our progress on delivering an investment roadmap that underpins our strategic ambition of building world-class loss modelling capability for New Zealand.
- Measuring the benefit of our investment in research by tracking proxies for 'benefit' – our Benefits Management Framework tracks the benefits of our investment in research over the short, medium and long terms.

Resilience output class

The Resilience output class aims to improve understanding of natural hazard risk and support better decisions by households, communities and decision-makers over time.

This priority area supports our resilience outcome by helping people and organisations make better decisions about natural hazard risk. We do this through sustained investment in research and by sharing knowledge in ways that support practical action, such as smarter land-use planning, stronger building decisions, and better public awareness. Over time, these efforts help reduce risk and strengthen community resilience.

Performance measures	Rationale	2026/27 target	2025/26 forecast	2025/26 target	2024/25 actual
1.1 Annual total of monthly unique users of the Natural Hazards Portal, and percentage of daily active users seeking further information via the PDF download function or Natural Hazards Portal-driven Official Information Act requests.	The Natural Hazards Portal is an important mechanism for raising awareness of natural hazard impacts and risks, and for supporting our resilience outcome through good decision-making on natural hazard risk. We support this by promoting the Portal and ensuring it is useful and provides a gateway to users requesting more information to inform their decisions.	100,000 15%	90,000 15%	80,000 15%	83,948 16%
1.2 Number of downloads of our publicly available research and resilience documents.	Our ongoing and iterative investment in research supports our resilience outcome by giving all users and decision-makers free access to up-to-date information on natural hazard risk in New Zealand. We do this by selecting appropriate research priorities, managing research investments, and providing useful and useable reports to decision-makers on our website.	5,000[5]	5,100	4,500	5,649

5 Download numbers fluctuate year to year due to factors such as new publications and heightened interest following natural hazard events. Accordingly, the target is intended to demonstrate the sustained reach and use of our guidance over time rather than growth in absolute numbers.

Performance measures	Rationale	2026/27 target	2025/26 forecast	2025/26 target	2024/25 actual
1.3 Number of formal submissions made on central and local government policies and plans, and percentage of recommendations that are partially or fully accepted or acted on.	We share our insights on natural hazard risks with central and local government decision-makers to influence decisions and promote risk-management activities at a national and community level. Our efforts are aimed at supporting our resilience outcome by ensuring our submissions and insights are useful and useable.	8[6] 45%	11 85%[7]	8 40%	17 49%
1.4 Percentage of homeowners surveyed who say they have acted on any of the six preparedness actions we promote.	We share our insights on natural hazard risks with homeowners and the public to raise awareness and promote risk reduction activities on individual properties. We focus on ensuring our materials and insights are useful and useable for homeowners.	60%	60%	60%	61%
1.5 Implement and evaluate a rainfall-induced landslide model in PRUE[8] as part of progressing our loss modelling strategy.	Loss modelling provides us with a locally tailored, New Zealand-specific understanding of natural hazard risk to improve readiness, guide resilience investment, support sustainable scheme financing, and enable faster, better-targeted recovery.	Achieved	Achieved[9]	Achieved	Achieved[10]

6 Submission volumes vary year to year and are driven by external consultation processes. We make submissions selectively, focusing on high-quality contributions where our expertise can most effectively influence outcomes.

7 The acceptance rate in 1.3 is based on outcomes received during the year, which may relate to submissions made in earlier periods. It should be read separately from the number of submissions made in 2025/26. In years where only a small number of outcomes are received, as in this case, a few results can disproportionately influence the overall rate. The result should be interpreted with caution.

8 PRUE is our loss modelling tool, which uses RiskScape, developed by Earth Sciences NZ, as its modelling engine.

9 Based on the milestones for 2025/26.

10 Based on the milestones for 2024/25.

Performance measures	Rationale	2026/27 target	2025/26 forecast	2025/26 target	2024/25 actual
1.6 Track the short-, medium- and long-term impacts and benefits of research in line with our Benefits Management Framework, including:	Our research investment contributes to improved knowledge, capability and risk-informed decision-making.				
• Number of published research outputs (such as peer-reviewed journal articles, reports, academic theses) resulting from research we fund, as part of achieving short-term research and innovation outcomes.	We aim to strengthen the evidence base for natural hazard risk reduction by supporting high-quality, publishable research that advances understanding and is used by practitioners, policymakers and the insurance sector.	60	60	60	Not available
• Number of postgraduate students supported as part of medium- to long-term capability-building in natural hazards expertise.	We help grow and sustain national capability in natural hazards expertise by developing the next generation of researchers and building enduring research capacity within New Zealand.	55	52	55	Not available
• Number of activities supporting the coordination of research and the research community, e.g. conferences and workshops, as part of knowledge coordination and dissemination.	We aim to improve the coherence and impact of the natural hazards research system by convening and connecting researchers, practitioners and decision-makers to align effort, reduce duplication, and accelerate uptake of findings.	10	11	10	Not available
• Number of research and resilience stories published externally.	We aim to increase the reach and practical application of research by translating and communicating findings in ways that inform specialist practice and public understanding of natural hazard risk.	60	60	60	Not available

Output 2: Readiness

Our strategic priority is to continuously enhance our readiness for natural hazard events, including sudden-onset events like earthquakes and landslides, and slow-onset events like volcanic eruptions and storm damage to land.

Our objective is to be ready to deliver the best possible claims experience for homeowners through the Natural Disaster Response Model (NDRM), which is our claims model with our private insurer partners (NDRM Insurers). This includes being ready to deliver clear communication and timely settlement of NHCover claims.

Following the severe weather events in early 2023, we identified a series of improvements. We started this work in October 2024 and we are on track to complete it in October 2026. Our work focuses on practical changes that improve the homeowner experience, especially during large, complex events.

Analysing and learning from real events is often the best way to enhance New Zealand's readiness for natural hazard events. Alongside this work, we regularly test our readiness through simulations with our delivery partners. These are based on realistic scenarios we design, using the science we have invested in. Simulation exercises help us practise roles and decision-making, test that systems and processes can scale, and identify improvements before a real event occurs.

We then incorporate lessons from simulations and real events into our operating procedures, training and tools so we are ready to respond to different types and sizes of natural hazard events.

2026/27 proposed expenses

Proposed expenses for the Readiness output class are $25.4 million. This includes the costs of supporting ongoing maturity and oversight of the NDRM and event readiness.

How we measure performance

Output 2 is focused on ensuring our capacity and readiness for an event. We will:

- improve our systems and practices based on our lessons from simulation exercises and/or real events
- ensure NDRM Insurers have effective surge plans to support an event of up to 100,000 claims
- measure the public trust and confidence in our organisation.

We will undertake an annual simulation, unless a large natural hazard event occurs during that period, and we will use lessons from both simulations and real events to strengthen our readiness.

Readiness output class

Readiness relates to our ability to respond effectively to natural hazard events as a public insurer, including the ability to scale up for significant events.

We have capacity to scale up and prepare for significant events through our agency partnership with private insurers through the NDRM.

The intended outcome of the Readiness output class is a high-quality, coordinated insurance response to natural hazard events, characterised by clear roles and responsibilities, well understood processes, and delivery partners who can operate effectively under pressure during an event with a high number of claims.

Performance measures	Rationale	2026/27 target	2025/26 forecast	2025/26 target	2024/25 actual
2.1 We are satisfied NDRM Insurers have effective surge plans to support the NDRM to respond to a natural hazard event resulting in up to 100,000 homeowner claims under the Natural Hazards Insurance scheme.	We are accountable for ensuring the scheme can mobilise at scale following a major natural hazard event. We support our Readiness outcome by annually verifying the scalability of the claims system. This measure provides assurance that surge capacity is in place, through our NDRM arrangements, to support a timely and coordinated response for homeowners.	100%	100%	100%	100%
2.2 NDRM readiness to respond to significant natural hazard events is assessed through at least one simulation or real event.	Testing our readiness through simulations strengthens our preparedness by identifying gaps before an event and providing assurance that systems and processes will perform effectively under pressure. This approach ensures we are building our capability year on year so we are ready to support claims from a significant natural hazard event.	1	1	1	2
2.3 New Zealanders have trust and confidence in us as measured by our Public Sector Reputation Index (PSRI) score.	Homeowner confidence that the scheme will respond fairly and effectively is essential in the aftermath of a natural hazard event. We support public readiness and preparedness by providing education on natural hazards and risk reduction, and by sharing information in the media about the science and research we fund, what our insurance covers, and how to make a claim. The PSRI provides a benchmark from which we can measure progress with this outcome, year on year.	65	69	60	62

Output 3: Risk financing

Risk financing is a critical part of how we deliver value to New Zealand. It helps protect homeowners and the Crown from the financial impact of major natural hazard events.

Our strategic priority is to manage the cost and financial risks of providing the insurance cover included with our scheme. Under our Risk Financing Strategy 2025–2030, we will do this by growing the Natural Hazard Fund over time and putting effective additional protection in place through reinsurance and other risk management arrangements. This approach helps to ensure NHCover remains accessible and financially sustainable, so homeowners have peace of mind that claims are paid after an event.

The strategy outlines five objectives:

- Maintain and strengthen our risk financing capability.
- Understand the cost of the scheme's risks and ensure accurate collection of the levy.
- Deliver a reinsurance programme that is cost-effective and efficient.
- Grow the Natural Hazard Fund through prudent investment.
- Ensure readiness to call on the Crown guarantee, if required, that ensures we have the funds to pay all claims.

Over the next year, we will:

- investigate options to enhance assurance that levy collection is accurate
- broaden the asset classes we invest the Fund in, completing the implementation of the Statement of Investment Policies and Objectives
- continue to consult with the Treasury on risk financing matters.

2026/27 proposed expenses

The budgeted operating expenses for the Risk financing output class are $7.5 million with a further $1.3 million for investment management fees and $458.2 million for reinsurance costs. These fees are largely related to buying reinsurance and re-establishing investment activities to protect against the financial consequences of future natural hazard events.

How we measure performance

We are gradually updating our measures to directly demonstrate how risk financing provides protection to homeowners. We have started this year and will develop the measures more in the coming years, including to capture our investment performance.

We will know that risk transfer is cost-effective if the cost of the 2027/28 risk transfer programme is below the Crown's cost of capital, and the net cost of risk financing is within levels outlined in the Funding and Risk Management Statement.

Risk financing output class

Risk financing is critical to ensuring the scheme is financially resilient and the share of the risks between levy-payers and the Crown is well understood. The existence of a comprehensive and financially efficient reinsurance programme provides the scheme and the Crown balance sheet with significant financial protection in the event of a natural hazard event. The risk financing portfolio requires active management to ensure we deliver on our strategic outcome of managing the financial impact of natural hazard events.

Performance measures	Rationale	2026/27 target	2025/26 forecast	2025/26 target	2024/25 actual
3.1 The reinsurance programme is placed at a rate that is lower than the Crown's cost of capital.	The scheme and the Crown balance sheet must be financially protected against severe natural hazard events at an efficient cost to levy-payers.	Achieved	Achieved	By 1 June 2026	Achieved
3.2 The net cost of risk financing[11] of the reinsurance programme is within the estimated allowance set out in the Funding and Risk Management Statement.[12]	We support this by implementing a reinsurance programme that represents a financially efficient and effective transfer of risk and making sure levy funds are used responsibly. To measure our achievement of this, we consider whether the cost of the programme is at a rate lower than the Crown's cost of capital and within the parameters outlined in the Funding and Risk Management Statement, which represents the allocation of risk between the Crown and the scheme.	Achieved	Achieved[13]	n/a	Achieved[14]

11 This is the cost of purchasing the risk transfer programme less expected recoveries from the programme. This is modelled by our actuarial team and considers a range of events that the scheme is exposed to over a long period of time.

12 The budget for the 2027/28 reinsurance treaty year is 3 cents per $100 of cover.

13 Based on the new measure.

14 Based on the new measure.

Output 4: Recovery

Our strategic priority is to support homeowner and community recovery by providing a claims process that is clear, timely, high quality and responsive.

Since 2021, most new NHCover claims have been managed through the Natural Disaster Response Model, through which private insurers handle NHCover claims on our behalf. Alongside this, we continue to manage a smaller set of claims from the 2010-11 Canterbury earthquake sequence and administer the Canterbury On-sold programme on behalf of the Crown.

Our objective is to help people get back into their homes as quickly as possible after a natural hazard event. We do this by making the claims process as transparent and easy to navigate as possible, while still ensuring that we comply with our legal obligations.

We consider we are successful when claims are settled within reasonable timeframes, settlements are enduring so claims are less likely to be reopened, and most homeowners are satisfied with their experience.

This output class focuses on managing claims after an event and is split into two distinct categories:

- Claims relating to the 2010-11 Canterbury earthquake sequence.
- Claims relating to other natural hazard events.

This split reflects our continued focus on fairly settling the remaining Canterbury-related claims, while still being ready to support homeowners after new events. We assess each claim on its individual merits.

2026/27 proposed expenses

The proposed operating expenses for the Recovery output class are $49.0 million. This figure includes claims handling expenses but excludes the cost of claims themselves.

In addition, an estimated $136 million is allocated for claim costs associated with natural hazards events, reflecting the typical volume of smaller events received throughout the year.

How we measure performance

We use time-bound quantitative and qualitative measures to determine whether our claims are settled in a timely way.

We analyse our claims data to determine how long it takes to settle claims and the proportion of claims that are reopened. We have lengthened the assessment window for claims being reopened from 6 months to 12 months, as we consider that this provides a more meaningful indicator of whether a settlement is enduring. We also undertake regular surveys of homeowners to understand how satisfied they are with their overall claims experience.

Output 4.1 focuses on the settlement of claims relating to the 2010-11 Canterbury earthquake sequence, while output 4.2 focuses on the settlement of other claims.

As substantial progress continues to be made with the On-sold programme, the previous three measures have been consolidated into one.

Recovery output classes

Recovery relates to our response to natural hazard events, focused on resolving claims in a timely, fair and enduring way. This output class includes both Canterbury and more recent claims, as well as the final stages of the On-sold programme and managing claims on behalf of Southern Response Earthquake Services Limited. Since 2021, we have been settling claims through the NDRM agency partnership with private insurers.

Through this output class we work towards our strategic outcome of ensuring homeowners receive settlements that support effective recovery after natural hazard events.

4.1 Recovery (Canterbury)

Performance measures	Rationale	2026/27 target	2025/26 forecast	2025/26 target	2024/25 actual
4.1.1 Percentage of reopened claims settled from the date that they were reopened.	We are committed to settling claims as efficiently and effectively as possible for Canterbury homeowners. We support our recovery outcome through aiming to settle claims within 6 months. However, some claims are more complex and take longer. It is important to be able to clearly see these claims within our data and progress them towards enduring settlement.	85% within 6 months	82%	85% within 6 months	89%
		90% within 12 months	92%	90% within 12 months	95%
		98% within 18 months	96%	98% within 18 months	99%
		99% within 24 months	98%	99% within 24 months	99%

Performance measures	Rationale	2026/27 target	2025/26 forecast	2025/26 target	2024/25 actual
4.1.2 Percentage of On-sold applications with all repairs or building work completed.[15]	We are committed to completing the On-sold programme as efficiently and effectively as possible so eligible homeowners can receive the final settlements they need to progress repairs and complete their applications.	95%	82%	80%	71.5%
4.1.3 Southern Response agreement claims are settled within 12 months of the date they are confirmed as eligible.	We are committed to settling claims as efficiently and effectively as possible for homeowners through our agreement with Southern Response.	80%	73%	80%	87%
4.1.4 Surveyed homeowners are satisfied with their overall claims experience.	A strategic outcome for the scheme is ensuring Canterbury homeowners experience fair, timely and enduring claim outcomes.	65%	81%	60%	73%
4.1.5 Complaints are resolved within 2 months or within a longer period as agreed between the homeowner and us.	Accessible, timely complaint resolution assures homeowners that their concerns are addressed fairly and promptly if issues arise in the claims process.	95%	100%	95%	99%
4.1.6 Percentage of settled claims reopened within 12 months.[16]	Minimising claim reopenings indicates that settlements are correctly scoped, durable and provide reliable outcomes for homeowners.	≤5%	n/a	n/a	n/a

15 Excludes applicants who leave the programme. The programme is administered in accordance with the On-sold Canterbury Properties Services Agreement.

16 This measure previously used a 6-month period.

4.2 Recovery (all claims excluding the Canterbury earthquake sequence)

Performance measures	Rationale	2026/27 target	2025/26 forecast	2025/26 target	2024/25 actual
4.2.1 Percentage of claims settled from the date of claims lodgement.	We are committed to settling claims as efficiently and effectively as possible for homeowners. We support our recovery outcome through aiming to settle claims within 6 months. However, some claims are more complex and take longer. It is important to be able to clearly see these claims within our data and progress them towards enduring settlement.	80% within 12 months	97%	80% within 12 months	77%
		95% within 24 months	99%	95% within 24 months	98%
		98% within 36 months	100%	98% within 36 months	100%
		99% within 48 months	100%	99% within 48 months	100%
4.2.2 Surveyed homeowners are satisfied with their overall claims experience.	Homeowner experience indicates whether we are delivering fair, timely and enduring outcomes for homeowners.	65%	68%	60%	68%
4.2.3 Complaints are resolved within 2 months or within a longer period, as agreed with the homeowner.	Accessible, timely complaint resolution assures homeowners that their concerns are addressed fairly and promptly if issues arise in the claims process.	95%	100%	90%	94%
4.2.4 Percentage of settled claims reopened within 12 months.[17]	Minimising claim reopenings indicates that settlements are correctly scoped, durable and provide reliable outcomes for homeowners.	≤3%	n/a	n/a	n/a

17 This measure previously used a 6-month period.

Prospective financial information

Introduction

The information that follows sets out the 2026/27 budget for NHC Toka Tū Ake, incorporating actual results up to 31 December 2025, which was approved by the Board on 26 March 2026.

These prospective financial statements were prepared based on assumptions as to future events that we reasonably expect to occur as at the date the information was prepared. The actual results are likely to vary from the information presented, and variances may be material.

The prospective financial statements have been prepared using the accounting standard PBE IFRS 17 Insurance Contracts, effective from 1 July 2026. This standard replaces PBE IFRS 4 and will apply for the first full reporting period ending 30 June 2027.

The new standard is intended to improve the transparency and comparability of insurance contract reporting. It changes how insurance-related revenue, expenses, assets, and liabilities are presented, but does not affect the underlying financial position, operations or performance expectations of NHC Toka Tū Ake.

Comparative forecast information under PBE IFRS 4 has been included in the notes to these prospective financial statements to support comparison with the prospective financial statements published in the 2025/26 Statement of Performance Expectations.

Prospective statement of comprehensive revenue and expense

For the years ending 30 June 2026 and 30 June 2027	Note	Forecast 2026 $(000)	Budget 2027 $(000)
Insurance revenue		913,273	916,402
Insurance service expenses[18]	6	(154,015)	(180,674)
Insurance service result before reinsurance contracts held		**759,258**	**735,728**
Allocation of reinsurance premium expense		(448,750)	(458,182)
Amounts recoverable from reinsurers for incurred claims		16,151	(14,429)
Net expense from reinsurance contracts held		**(432,599)**	**(472,611)**
Insurance service result		**326,659**	**263,117**
Investment revenue		20,854	25,965
Investment management fees		(24)	(1,256)
Net investment revenue		**20,830**	**24,709**
Net finance expense from insurance contracts issued		(15,491)	(10,017)
Net finance income from reinsurance contracts held		3,406	2,311
Net insurance financial result		**(12,085)**	**(7,706)**
Other income		5,770	4,997
Other expenses	6	(5,282)	(4,597)
Operating expenses	6	(34,952)	(33,686)
Net surplus		**300,940**	**246,834**
Total comprehensive revenue for the year		**300,940**	**246,834**

18 The 2027 budget claims expense represents the cost of a year in which there are no major events and actual experience may differ significantly from this. See note 4 for a sensitivity analysis on claims expense and how that would impact the total comprehensive revenue for the year.

Prospective statement of changes in equity

For the years ending 30 June 2026 and 30 June 2027	Forecast 2026 $(000)	Budget 2027 $(000)
Equity		
Crown contribution	1,500,000	1,500,000
Retained earnings		
Opening balance at 1 July (deficit) as reported under PBE IFRS 4	(1,913,069)	-
Impact of initial application of PBE IFRS 17	57,839	-
Restated opening balance at 1 July (deficit)	(1,855,230)	(1,554,290)
Total comprehensive revenue for the year	300,940	246,834
Closing balance as at 30 June (deficit)	**(1,554,290)**	**(1,307,456)**
Closing balance as at 30 June	**(54,290)**	**192,544**

Prospective statement of financial position

As at 30 June 2026 and 30 June 2027	Note	Forecast 2026 $(000)	Budget 2027 $(000)
Equity			
Crown contribution		1,500,000	1,500,000
Retained earnings		(1,554,290)	(1,307,456)
Total equity		**(54,290)**	**192,544**
Assets			
Cash and cash equivalents		266,805	317,405
Other assets		2,071	2,071
Investments		476,110	548,256
Reinsurance contract assets	5.1	181,334	141,846
Property, plant and equipment		3,526	3,210
Intangibles		485	388
Total assets		**930,331**	**1,013,176**
Liabilities			
Trade and other payables		(7,767)	(8,075)
Short-term liabilities		(4,147)	(4,320)
Revenue in advance		(1,658)	(834)
On-sold agreement liabilities		(19,770)	(4,143)
Insurance contract liabilities	5.1	(951,279)	(803,260)
Total liabilities		**(984,621)**	**(820,632)**
Net assets/(liabilities)[19]		**(54,290)**	**192,544**

19 Section 112 of the Natural Hazards Insurance Act 2023 states that the Crown must make payments into the Natural Hazard Fund to ensure it can meet all its liabilities as they fall due.

Prospective statement of cashflows

For the years ending 30 June 2026 and 30 June 2027	Forecast 2026 $(000)	Budget 2027 $(000)
Cash flows from operating activities		
Cash was provided from:		
Levy receipts	947,014	919,327
On-sold agreement receipts	81,601	29,450
Reinsurance recoveries	34,278	32,331
Interest received	16,504	32,075
Southern Response agreement receipts	1,073	1,096
Cash was applied to:		
Outward reinsurance	(448,230)	(463,142)
Claims settlements and handling costs	(235,022)	(287,802)
On-sold agreement settlement and handling costs	(108,263)	(42,000)
Employees and other operating expenses	(83,270)	(80,564)
Research grants and resilience	(13,201)	(11,562)
Net GST	(5,999)	303
Net cash inflow from operating activities	**186,485**	**129,512**
Cash flows from investing activities		
Cash was applied to:		
Purchase of investments	(230,000)	(78,256)
Purchase of property, plant and equipment	(313)	(650)
Purchase of intangibles	(487)	-
Net cash outflow from investing activities	**(230,800)**	**(78,906)**
Cash flows from financing activities		
Cash was applied to:		
Lease payment	(5)	(5)
Interest payment	(1)	(1)
Net cash outflow from investing activities	**(6)**	**(6)**
Net increase/(decrease) in cash and cash equivalents	**(44,321)**	**50,600**
Add opening cash and cash equivalents	311,126	266,805
Closing cash and cash equivalents	**266,805**	**317,405**

Notes to the prospective financial statements

1. Statement of accounting policies

Reporting entity

These prospective financial statements are prepared for the legal entity, Toka Tū Ake Natural Hazards Commission (NHC Toka Tū Ake). NHC Toka Tū Ake is designated as a Crown entity under the Crown Entities Act 2004 (CE Act). Legislation governing the operations includes the CE Act 2004, the Natural Hazards Insurance Act 2023 (NHI Act) and Earthquake Commission Act 1993 (EQC Act). NHC Toka Tū Ake is designated as a public benefit entity (PBE) for financial reporting purposes.

Our objectives include providing residential insurance against natural hazard damage, collecting the Natural Hazards Insurance levy and arranging reinsurance, managing the Natural Hazard Fund (the Fund), and facilitating research and education into natural hazards and their impacts.

Basis of preparation

NHC Toka Tū Ake is a Tier 1 public entity, and the prospective financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). The prospective financial statements comply with Public Benefit Entity Standards (PBE Standards) and have been prepared in accordance with the NHI Act and CE Act 2004.

The financial statements have been prepared on a historical-cost basis modified by the measurement of insurance contract liabilities and reinsurance contract assets at present value of expected fulfilment cashflows and investments at fair value. The prospective financial statements are presented in New Zealand dollars and all values are in thousands ($000).

Going concern assumption

While the current forecasts project that NHC Toka Tū Ake will be able to meet claims payments in the immediate future, it is possible that section 112 of the NHI Act (or alternative agreed mechanism) will need to be activated for the Crown to provide guaranteed funding for cashflow requirements to allow the Fund to continue as a going concern during the 2026/27 financial year. Claims costs directly related to the occurrence of new major events, and the claims they produce, have not been forecast; $142 million has been provided for other claims settlements and fees within the 2027 budget.

Summary of significant accounting policies

The significant accounting policies are included in the notes that they relate to in the financial statements within the Annual Report 2024/25 except for the policies relating to PBE IFRS 17, which are included here.

2. Adoption of PBE IFRS 17 Insurance Contracts

NHC Toka Tū Ake is adopting PBE IFRS 17 Insurance Contracts for the first time in the year ending 30 June 2027, with 1 July 2025 as the date of initial application. This standard has brought significant changes to the accounting for insurance and reinsurance contracts. As a result, NHC Toka Tū Ake has restated certain comparative amounts. Except for the changes below, NHC Toka Tū Ake has consistently applied all other policies to all periods presented in these financial statements.

The nature and effects of key changes in NHC Toka Tū Ake accounting policies resulting from its adoption of PBE IFRS 17 are summarised below.

2.1 Recognition, measurement and presentation of insurance contracts

PBE IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts. NHC Toka Tū Ake has applied the Premium Allocation Approach (PAA) to the measurement of all insurance contracts issued and reinsurance contracts held.

PBE IFRS 17 introduces refined concepts, including:

- measuring insurance contract assets and liabilities separately from reinsurance contract assets and liabilities
- onerous contracts, where losses from contracts are recognised when onerous contract testing shows that the cashflows allocated to a group of insurance contracts are a net outflow
- liability for remaining coverage (LRC), which reflects levies received less amounts recognised in revenue for insurance services provided
- liability for incurred claims (LIC), which reflects the remaining liability for insurance claims that occurred prior to the reporting date, adjusted for the time value of money. The liability also includes an explicit risk adjustment for non-financial risks.
- reinsurance asset for remaining coverage (AfRC), which reflects the NHC Toka Tū Ake reinsurance coverage
- reinsurance asset for incurred claims (AIC), which reflects reinsurance recoveries on claims that occurred prior to the reporting date, adjusted for the time value of money. The asset also includes an explicit risk adjustment for non-financial risks.

The NHC Toka Tū Ake accounting policy for recognition, classification, measurement, and derecognition of insurance and reinsurance contracts is explained in note 5.

2.2 Changes to presentation and disclosure

The line-item descriptions in the statement of comprehensive revenue and expense and statement of financial position have been changed significantly as a result of adopting PBE IFRS 17.

Previously reported presentation	Current presentation under PBE IFRS 17
Statement of comprehensive revenue and expense	
Levy	Insurance revenue
Outwards reinsurance premium expense	Allocation of reinsurance premium expense
Reinsurance recoveries	Amounts recoverable from reinsurers for incurred claims Net finance income from reinsurance contracts held
Claims (expense)/reduction	Insurance service expenses Net finance expense from insurance contracts issued
Movement in unexpired risk liability	Insurance service expense
Operating expenses	Insurance service expense Operating expenses Other expenses
Statement of financial position	
Outstanding reinsurance recoveries Outward reinsurance premium asset	Reinsurance contract assets
Levy receivable Outstanding claims liability Unearned premium liability Unexpired risk liability	Insurance contract liabilities

2.3 Impact of accounting policy change

PBE IFRS 17 was applied in full in accordance with its transitional provisions. NHC Toka Tū Ake has applied the full retrospective approach with a date of initial application of 1 July 2025. NHC Toka Tū Ake determined that reasonable and supportable information was available for all contracts in force at the transition date and therefore no retrospective application impracticalities were identified. No transitional practical expedients were applied.

As a result of the adoption of PBE IFRS 17, NHC Toka Tū Ake has identified, recognised, and measured insurance contracts as if PBE IFRS 17 had always been applied.

The key adjustments from PBE IFRS 4 to PBE IFRS 17 arise primarily from:

- derecognition of the previous risk margin and recognition of a risk adjustment under PBE IFRS 17
- discounting changes, including addition of an illiquidity premium
- changes to expense attributions in line with requirements under PBE IFRS 17
- impact of different treatment of reinsurance in respect of unexpired risks
- recognition and measurement of onerous contracts, including establishment of loss components and subsequent loss recovery components, where applicable.

3. Prospective financial statements under PBE IFRS 4 for forecasted year ending 30 June 2026

For the year ending 30 June 2026, NHC Toka Tū Ake will prepare and report its financial statements in accordance with PBE IFRS 4 Insurance Contracts. For comparability, the prospective financial statements presented above include comparative information prepared on a PBE IFRS 17 basis. Summarised prospective financial statements prepared in accordance with PBE IFRS 4 are set out below.

Prospective statement of comprehensive revenue and expense

$(000) For the year ending 30 June 2026	Forecast 2026
Net levy revenue	913,273
Total underwriting movements	(578,053)
Surplus from insurance activities	**335,220**
Total operating revenue	26,624
Total operating expense	(93,288)
Net surplus	**268,556**
Total comprehensive revenue for the year	**268,556**

Prospective statement of financial position

$(000) As at 30 June 2026	Forecast 2026
Total equity	**(144,513)**
Total assets	1,081,199
Total liabilities	(1,225,712)
Net liabilities	**(144,513)**

4. Accounting judgements and major sources of estimation

NHC Toka Tū Ake makes estimates and assumptions in respect of certain key assets, 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.

The actuarial judgements and estimations involved in measuring insurance contract liabilities and reinsurance contract assets 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. The key areas in which significant judgements, estimates and assumptions are applied are described below.

Insurance contract liabilities

Future cashflows for the liability for incurred claims and loss component are estimated using data specific to the portfolio, relevant industry data and general economic data. The estimation process factors in the risks to which the business is exposed at a point in time, claim frequency and severity, and historical trends in the development of claims, as well as legal, social and economic factors that may affect NHC Toka Tū Ake.

Estimates for events claim expenses, liabilities and cashflows are based on the December 2025 actuarial update prepared by Melville Jessup Weaver.

The following economic assumptions were used in determining the claims liability at that date.

Inflation	1.75% – 3.15%
Discount rate per annum (including illiquidity premium)	2.69% – 5.43%

Sensitivity analysis

NHC Toka Tū Ake is a catastrophe insurer and as such there is significant volatility possible in the level of claims that occur each year. The current year claims costs included in the budget for the 2026/27 financial year are $142 million. This estimate is using a 50% Probability of Sufficiency estimate for gross losses. This means that in each year the budget has a 50% chance of being sufficient. This estimate represents the cost of a year in which there are no major events, as is most common and appropriate for budget purposes.

The following table shows a range of alternative scenarios, reflecting scenarios where one or more major events occur in the year, showing the claims costs (including claims handling expenses), reinsurance recoveries (where available) and the resultant net surplus/(deficit) for NHC Toka Tū Ake.

$(000) Scenario	How determined	Impact on gross losses	Impact on total expected recoveries	2027 Net surplus/ (deficit)
2027 budget		**(142,000)**		**246,834**
A further weather event like Cyclone Gabrielle	ILVR	(148,756)		98,078
Repeat of Kaikōura earthquake	Internal loss modelling	(882,793)		(635,959)
Repeat of 1942 Wairarapa earthquake	Internal loss modelling	(3,830,351)	1,305,351	(2,278,166)
Repeat of 1931 Napier earthquake	Internal loss modelling	(8,592,229)	6,067,229	(2,278,166)

5. Insurance and reinsurance contracts

Recognition

NHC Toka Tū Ake recognises insurance contracts at the start of the coverage period. NHC Toka Tū Ake allocates the expected levy receipts to each period of insurance contract services on the basis of the passage of time. Revenue excludes taxes collected on behalf of third parties.

Insurance service expenses are recognised as they are incurred. Insurance finance income and expenses arise from the effect of discounting and changes in financial assumptions and are presented in the statement of comprehensive revenue and expense.

Measurement model

NHC Toka Tū Ake has elected to apply the PAA to all insurance contracts issued. This approach is consistent with the nature of the NHC Toka Tū Ake insurance arrangements and provides a simpler and operationally efficient basis. Reinsurance contracts held are measured using the PAA, reflecting features specific to reinsurance arrangements.

Level of aggregation

Insurance contracts issued by NHC Toka Tū Ake provide similar natural hazard cover and are managed together as a single portfolio. All reinsurance contracts held also provide similar coverage and are treated as a single portfolio.

Onerous contracts

The portfolio of insurance contracts issued is assessed using actuarial valuation models to determine whether it is onerous. As all contracts are measured under the PAA, NHC Toka Tū Ake assumes that contracts are not onerous at initial recognition unless facts and circumstances indicate otherwise.

In assessing whether such facts and circumstances exist, management considers whether the expected fulfilment cashflows indicate that the portfolio may be loss-making, including relevant external factors such as pricing decisions or significant economic or regulatory changes.

Where indicators of onerous contracts are identified, NHC Toka Tū Ake performs onerous contract testing by estimating the fulfilment cashflows for the portfolio. A loss is recognised in the statement of comprehensive revenue and expense where these fulfilment cashflows exceed the carrying amount of the liability for remaining coverage. The resulting increase in the liability for remaining coverage is recognised as a loss component. In subsequent periods, fulfilment cashflows for onerous contracts are remeasured, with changes recognised in the statement of comprehensive revenue and expense to the extent they increase or decrease the loss component.

Changes in fulfilment cashflows are allocated systematically between the loss component and the liability for remaining coverage (excluding the loss component), based on the proportion of the loss component to total fulfilment cashflows.

NHC Toka Tū Ake has recognised a loss component and loss recovery component in respect of insurance and reinsurance contracts in accordance with its accounting policy.

Liability for remaining coverage

The liability for remaining coverage (LRC) represents services that NHC Toka Tū Ake will provide after balance date. On initial recognition, the LRC equals the levies received. The LRC increases as additional levies are received and decreases as insurance revenue is recognised over the coverage period. On initial recognition, NHC Toka Tū Ake expects that the time between providing each part of the services and the related levy due date is no more than a year. Accordingly, NHC Toka Tū Ake has chosen not to adjust the carrying amount of the LRC to reflect the time value of money and the effect of financial risk.

Liability for incurred claims

The liability for incurred claims (LIC) covers events that have occurred but are not yet paid. It is measured as the present value of the estimated future cashflows plus a risk adjustment for non-financial risk.

NHC Toka Tū Ake discounts the LIC for the time value of money. NHC Toka Tū Ake does not disaggregate changes in the risk adjustment between the insurance service result and insurance finance income or expenses. Changes in the risk adjustment are included within the insurance service result.

Asset for remaining coverage

An asset for remaining coverage (AfRC) is recognised when reinsurance coverage begins. It is measured based on premiums paid and NHC Toka Tū Ake allocates the reinsurance premium paid to each period of reinsurance contract services based on the passage of time. The asset is measured as reinsurance premiums paid in advance. Reinsurance premiums paid reflect premiums ceded to reinsurers and are recognised as an expense based on the passage of time.

If NHC Toka Tū Ake recognises losses on underlying onerous contracts, a loss recovery component is added to the AfRC for the portion expected to be recovered from reinsurers. A loss recovery component is recognised when an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on the addition of onerous underlying contracts to a group, if and only if the reinsurance contract held is entered into before or at the same time as the onerous underlying insurance contracts are recognised.

This component is remeasured to reflect changes in the loss component of the underlying insurance contracts and is limited to the portion of the underlying loss component that NHC Toka Tū Ake expects to recover under the reinsurance arrangements.

Asset for incurred claims

An asset for incurred claims (AIC) is recognised when claims arise on underlying insurance contracts covered by reinsurance.

It is measured based on estimated future cashflows, discounted for the time value of money and a risk adjustment for any non-financial risk. Amounts recovered from reinsurers are recognised when a claim has been incurred and the basis for measurement is the expected future cash inflows.

Risk adjustment

The risk adjustment is the compensation NHC Toka Tū Ake requires for bearing uncertainty about the amount and timing of the cashflows that arises from non-financial risk related to insurance contracts. For contracts measured under the premium allocation approach, unless the contracts are onerous, an explicit risk adjustment for non-financial risk is only estimated for the measurement of the liability for incurred claims. When contracts are onerous, the risk adjustment also applies to the liability for remaining coverage.

NHC Toka Tū Ake has developed a framework for establishing the risk adjustment. The approach is that the risk adjustment is based on the portion of the technical break-even levy which relates to risk financing. This amount is added as a loading to the estimated net present value of future cashflows relating to claims and claims handling expenses.

NHC Toka Tū Ake has calculated the loading to be 16% based on modelling completed for the most recent levy review.

The risk adjustment recognised in relation to the liability for incurred claims corresponds to a probability of adequacy of 78% both gross and net of reinsurance. The liability for remaining coverage risk adjustment equates to a probability of adequacy of 88% gross of reinsurance.

Discount rates

Discount rates used to measure incurred claims liabilities and reinsurance recoveries are based on risk-free New Zealand Government bond yields. An illiquidity premium using the bottom-up approach is added to reflect characteristics of the liability cashflows.

Insurance derecognition

NHC Toka Tū Ake derecognises insurance contracts when rights and obligations relating to the contract are extinguished.

5.1 Insurance and reinsurance contracts

$(000)	Forecast 2026	Budget 2027
Insurance contract liabilities comprise:		
Liability for incurred claims		
Expected future cash flows (undiscounted)	(696,625)	(535,549)
Discount to present value	47,272	37,254
	(649,353)	**(498,295)**
Liability for remaining cover	(301,926)	(304,965)
Insurance contract liabilities	**(951,279)**	**(803,260)**
Current	(429,926)	(368,857)
Non-current	(521,353)	(434,403)
Reinsurance contract assets comprise:		
Asset for incurred claims		
Expected future recoveries (undiscounted)	137,331	90,571
Discount to present value	(9,165)	(6,854)
	128,166	**83,717**
Asset for remaining coverage	53,168	58,129
Reinsurance contract assets	**181,334**	**141,846**
Current	84,483	81,815
Non-current	96,851	60,031

6. Analysis of expenses

Insurance service expenses, other expenses and operating expenses includes:

$(000) Expense category	Forecast 2026	Budget 2027
Employee remuneration and benefits	51,647	53,378
Research grants and resilience initiatives	11,588	11,562
Technology costs	11,067	10,821
Outsourced service providers	10,985	11,002
Projects	9,300	9,000
Depreciation and amortisation	3,649	1,064
Audit fees	530	509
Commissioners' fees	517	521
Other expenses	16,344	17,346
Total	**115,627**	**115,203**
Classified as:		
Claims handling expenses	22,363	22,991
Expenses directly attributable to insurance contracts	53,030	53,929
Other expenses and operating expenses	40,234	38,283
Total	**115,627**	**115,203**

Te Kāwanatanga o Aotearoa
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Natural Hazards Commission
Toka Tū Ake