



The foundation from which we  
stand strong, together.

# Toka Tū Ake EQC

Annual Report  
2022-2023

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

**Date: October 2023**



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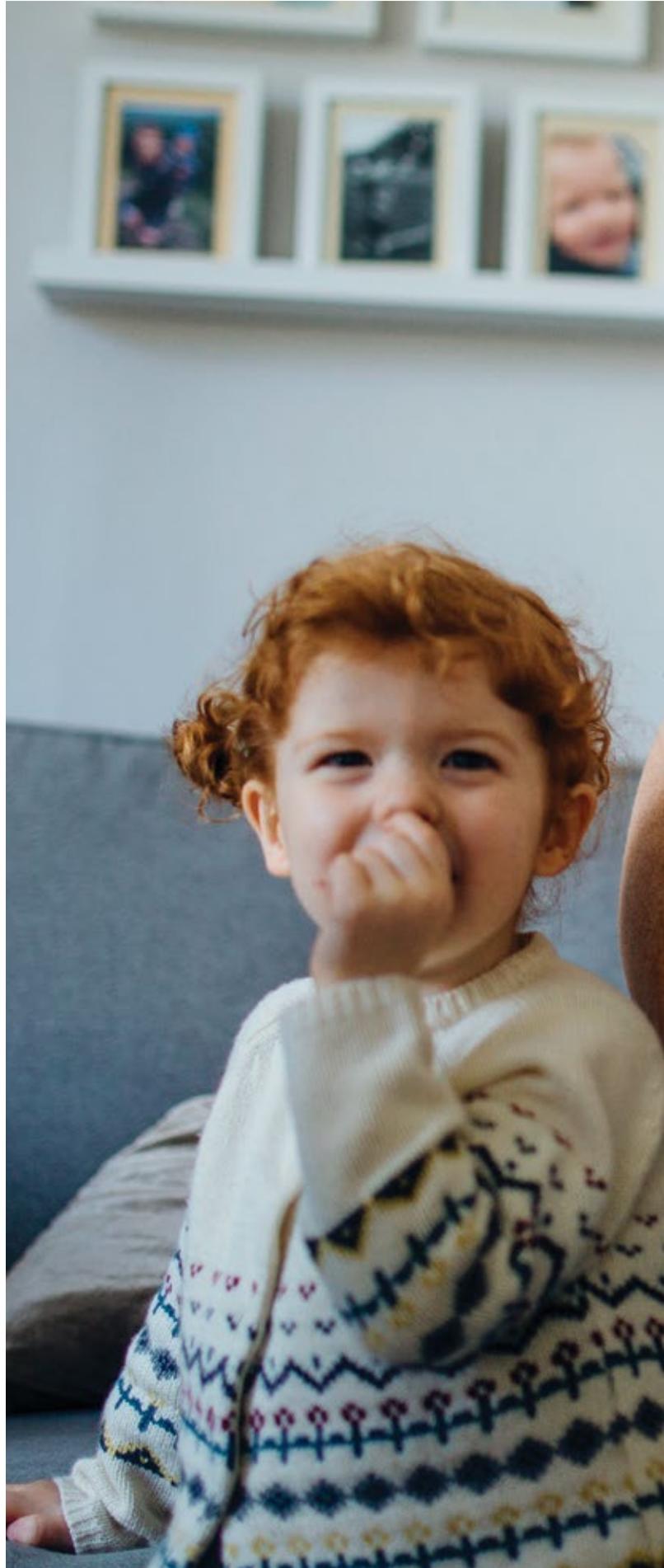
Toka Tū Ake Earthquake Commission  
Wellington, New Zealand

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# Introduction and overview

He kupu  
whakataki,  
he tirohanga  
whānui hoki





## Mai i te Poari - From the Board

Ki te kotahi te kākaho ka whati

Ki te kāpuia e kore e whati

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

Ko te rerenga o ngā aumihi ki a koutou katoa kei ngā mana, kei ngā reo, kei ngā kārangaranga maha o te motu. Ko Toka Tū Ake EQC tēnei e tuku nei i ngā whakaaro nui i runga i ngā tini āhuetanga o te tau kua pahure ake nei.

Tihei mauri ora ki te whaiao, tihei mauri ora ki te ao marama.

Tēnā tātou katoa.

The past year has been one of significant progress and achievement for Toka Tū Ake EQC, but a challenging time for our wider community and country. Many thousands of homeowners have had to deal with the significant and life-changing impacts of Cyclone Gabrielle and other severe weather events in Nelson/Marlborough in August 2022 and the Upper North Island in January and February 2023.

The damage and displacement of people and communities provided a stark reminder of the risks posed by natural hazards and the steps we need to take as a country to increase our community and financial resilience, particularly as weather patterns are impacted by climate change.

The Toka Tū Ake EQC scheme exists to help homeowners recover from devastating natural hazard events by providing the first layer of residential land and building insurance cover for certain hazards. At Toka Tū Ake EQC we also want to help prevent or minimise the impacts of natural hazard events, rather than purely react, respond and support the recovery from them.

Since 30 June 2021, the vast majority of new claims have been managed by private insurers on our behalf to make the overall insurance process as simple as possible for impacted homeowners. This claims model is central to the lessons we have learned over the last decade or more since the Canterbury earthquake sequence. We have stood shoulder to shoulder with insurers as we have road-tested the model through a range of natural hazard events since it went live. In the Nelson/Marlborough event, we saw the benefits of consistent messages from Toka Tū Ake EQC, insurers and councils which made it easier for homeowners to understand their insurance entitlements. Our model is designed to always keep the focus on the homeowner's experience.

We have seen a significant change in our claims profile as a result of these recent weather events, from a majority of building claims previously to mostly residential land claims. This was not unexpected given the impact of earthquakes tends to be different to severe weather events and related landslips and flooding. While the land cover provided under the scheme is unique in the world it can be technical and difficult to assess in the aftermath of a natural hazard event, especially as land often takes some time to stabilise or settle following an event. This is one of the main reasons we did not achieve all of our Statement of Performance Expectation measures for claims in 2022-2023.

This has highlighted the need for us to communicate the terms of land cover as clearly as possible to homeowners. It also shows us that we need to consider ways we can expedite residential land assessments at scale following these types of events, while still retaining the integrity of those assessments. This move is designed to improve the timeliness of claims settlements.

We are incorporating what we have learned in our work to continuously improve the efficiency and effectiveness of our claims model across a range of event response types, including extreme weather events.

September 2022 marked 12 years since the start of the Canterbury earthquake sequence. Toka Tū Ake EQC continues to support homeowners in Canterbury with newly identified unrepaired damage, including by managing outstanding claims on behalf of Southern Response Earthquake Services, and by administering the On-sold programme on behalf of the Crown. We received our best ever survey results this year for customer satisfaction in relation to Canterbury claims settlements, giving us confidence that we continue to provide successful resolutions for Canterbury homeowners.

### **Supporting New Zealand's resilience and readiness**

When the Natural Hazards Insurance Act 2023 comes into effect on 1 July 2024, we will be making the final transition to our new name of Toka Tū Ake Natural Hazards Commission which better reflects our role. We are part of an integrated system of government and private sector agencies supporting New Zealanders to recover as quickly as possible when natural hazard events occur.

An equally important aspect of our role is helping to build more resilient communities. We use scenario planning and our investment in science, research, data and modelling to better understand and prepare for future natural disaster events, whether they be earthquakes, landslips, tsunamis, storms and floods, volcanic eruptions or hydrothermal activity.

This preparatory work is an area New Zealand needs to consider more as a country, and in which Toka Tū Ake EQC is increasingly providing leadership.

We are also committed to making natural hazard data and information easier to access for homeowners. A significant achievement this year was the work undertaken to release phase one of our Natural Hazards Portal in July 2023. The portal enables homeowners to look up residential addresses in New Zealand to see information about natural hazards in that area.

Development of a portal was one of the recommendations from the Public Inquiry into the Earthquake Commission. Together with the work we completed this year to understand the impacts of cash settling claims following the 2016 Kaikōura/Hurunui earthquake on the quality of the housing stock and the wellbeing of homeowners, Toka Tū Ake EQC has now completed all of the 41 Public Inquiry recommendations it was asked to lead. We are continuing to support the Ministry of Housing and Urban Development to progress outstanding recommendations relating to housing recovery after a major natural hazard event. We will also continue to encourage the Ministry of Business, Innovation and Employment to consider regulation of insurance advocates to address concerns raised by the Public Inquiry about their behaviour toward claimants.

### **A strong financial basis**

A core design principle for our scheme is that it remains sustainable and that the cost of adequate first-layer residential insurance remains accessible and affordable.

We do this by managing the Natural Disaster Fund (NDF), which is funded by homeowner insurance levies, and securing reinsurance from global capital markets. This year Toka Tū Ake EQC secured a record level of reinsurance of just under \$8.2 billion for 2023-2024, including \$225 million through a catastrophe bond.

As well as being an exciting first for New Zealand, adding catastrophe bonds into the portfolio mix provides diversification through a different investor market and helps secure multi-year protection for New Zealand, thereby strengthening our risk transfer programme.

We are extremely proud of the global reputation we have built as a result of the consistency and transparency of our scheme and the science in which we invest. This gives international capital markets confidence to continue to provide reinsurance cover despite the widespread impacts of climate change globally that have been a feature of the insurance landscape over the last year or two.

Our continued management of the NDF is also key to New Zealand's financial resilience against natural hazard events, and we expect the fund to cover the financial cost of the Upper North Island weather events, including Cyclone Gabrielle, earlier this year.

## Acknowledgements

We are proud to present the results in this Annual Report of Toka Tū Ake EQC for the year ended 30 June 2023. It has been a privilege to support the challenges and achievements during what has been an unprecedented 12 months. During the past year the Board farewelled Emma Dobson in February 2023 when her term ended and welcomed new Board member Andrea Brunner in May 2023. Our Future Director Jacqui Apiata also completed her assignment with Toka Tū Ake EQC in June 2023, and we plan to support another Future Director at some point over the coming year.

Finally, nothing the organisation has achieved this year would have been possible without the unwavering commitment and hard work of our staff, ably led by Tina Mitchell our Chief Executive. It is humbling for the Board to be supported by such capable professionals who strive to make a positive difference for New Zealanders every day. Together, their hard work and contribution ensure Toka Tū Ake EQC truly represents the foundation from which we stand strong, together.

Nā māua nei me ngā mihi.



**Chris Black**  
Board Chair



**Ruth Dyson**  
Board Deputy Chair

## Mai i te Tumu Whakarae - From the Chief Executive

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

One of the features that is unique about Toka Tū Ake EQC globally is that the scheme has been significantly tested in the Canterbury earthquakes and adapted to incorporate the lessons learned.

There have been two significant transformations underway in recent years based on those lessons. The first was the change to our claims model, where we now partner with private insurers to give homeowners a streamlined claims experience. The second has been working with Treasury and Parliament over the last two years to support a review of our governing legislation.

On 27 February 2023 our new legislation received Royal Assent. The Natural Hazards Insurance Act 2023 will come into effect on 1 July 2024 and replace the Earthquake Commission Act 1993. The new legislation is aimed at enabling better community recovery from natural hazards, clarifying our role, and enhancing the durability and flexibility of legislation. Over the course of the 2023-2024 year ahead, we are planning and implementing changes to ensure we are fully ready to bring our new Act to life by mid-2024.

Along with our ongoing engagement at a community level through our National Reference Group, we also welcomed the launch of the New Zealand Claims Resolution Service in February.

The NZCRS is a significant additional support for homeowners as they navigate their recovery.

A highlight was launching our Te Ao Māori strategy which outlines our priorities over the next five years so we continue to make important progress towards improving services and outcomes for Māori customers, Māori stakeholders, and all of Aotearoa New Zealand.

We continued our work under the Government's programme for achieving carbon neutrality in the public sector by 2025, and made important strides in using our data for loss modelling and developing possible disaster scenarios as part of our planning.

Our people at Toka Tū Ake EQC work incredibly hard for New Zealanders, and we are proud of their engagement and commitment. It is through their relentless efforts that we have succeeded with our work over the past year, including our role following the severe weather events, continued settlement of Canterbury claims, securing record levels of reinsurance, issuing our first-ever catastrophe bond, and the development of our Natural Hazards Portal. As always, we continue to focus on their health, safety and wellbeing and making Toka Tū Ake EQC a great place to work.

Working collaboratively with our stakeholders and partners throughout the year we have achieved positive outcomes in Recovery, Resilience, Risk Financing and Readiness for our customers and Aotearoa.

Noho ora mai



**Tina Mitchell**  
Chief Executive

## Mai i te Poari

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

Ko te rerenga o ngā aumihi ki a koutou katoa kei ngā mana, kei ngā reo, kei ngā kārangaranga maha o te motu. Ko Toka Tū Ake EQC tēnei e tuku nei i ngā whakaaro nui i runga i ngā tini āhuatanga o te tau kua pahure ake nei.

Tiheī mauri ora ki te whaiao, tiheī mauri ora ki te ao marama.

Tēnā tātou katoa.

I te tau kua pahure, he hira te anga whakamua me ngā whakatutukitanga a Toka Tū Ake EQC, otirā he wā uaua mā tō tātou hapori whānui me te motu. E hia kē ngā kaupupuri whare me whāwhā rātou i ngā pānga nui, taumaha hoki o Huripari Gabrielle me ētahi atu āhuatanga huarere taikaha i Whakatū me Te Tau Ihu o Te Waka-a-Māui i te Ākuhata 2022, i te hiku o Te Ika-a-Māui i te Hanuere, i te Pēpuere hoki i te tau 2023.

Nā te aneatanga me te peinga atu o ngā tāngata me ngā hapori i tuku he whakamaumaratanga e mārāma pū ana mō ngā tūraru o ngā matepā taiao me ngā hātepe hei whai mā tātou kia piki ake ai te manawaroa ā-hapori, ā-pūtea hoki, inārā nā te pāngia mai o ngā āhuatanga huarere e te panonitanga āhuarangi te take.

Ko tā te kaupapa Toka Tū Ake EQC he āwhina i ngā kaupupuri whare kia ora i ngā āhuatanga matepā taiao whakamōtī, mā te whakarato i te inihua paparanga tuatahi mō te whenua noho me ngā whare noho mō ētahi matepā. Kei Toka Tū Ake ko tō mātou hiahia hoki he āwhina kia

aukatia, kia whakaitia rānei ngā pānga a ngā āhuatanga matepā taiao, kua noa ko te mahi, ko te urupare, me te tautoko i te whakaoranga mai i aua āhuatanga.

Mai i te 30 o Hune 2021, ko te nuinga tonu o ngā kerēme hou kua whakahaeretia mā mātou e ngā kaiinihua tūmataiti kia noho ai te tukanga inihua whānui hei mea māmā katoa ka taea mā ngā kaupupuri whare i pāngia. Ko te tauira kerēme nei kei te pokapū tonu o ngā akoranga kua ākōna e mātou i roto i te tekau tau kua pahure, neke atu rānei mai i te raupapa rū o Waitaha. I kaha tautoko mātou i ngā kaiinihua i a mātou e whakamātautau ana i te tauira mā roto mai i te whānuitanga o ngā āhuatanga matepā taiao mai i tana putanga. I te āhuatanga i Whakatū me Te Tau Ihu o Te Waka-a-Māui, i kitea e mātou te painga o ngā karere e ōrite ana mai i Toka Tū Ake EQC, i ngā kaiinihua, i ngā kaunihera hoki i māmā ake ai te mōhio a ngā kaupupuri whare ki ā rātou āheinga inihua. E hoahoatia ana tā mātou tauira kia arotahi ki te wheako o te kaupupuri whare i ngā wā katoa.

Kua kitea e mātou he panonitanga hira ki tā mātou āhua kerēme nā ngā āhuatanga huarere i puta ake nō nā noa nei, ko te nuinga o mua he kerēme whare, ā, ko te nuinga o nāianei he kerēme whenua noho. Ehara tēnei i te āhuatanga ohorere i te mea he rerekē te pānga a ngā rū whenua i ō te huarere taikaha me ngā horowhenua me ngā waipuke e whai pānga ana. Ahakoa he ahurei i te ao te inihua whenua o te kaupapa nei, he tuatini, he uaua hoki ki te arotake whai muri i tētahi āhuatanga matepā taiao, inārā he roa te wā e tūwhena ai, e tau ai hoki te whenua i muri i tētahi āhuatanga. Koinei tētahi o ngā take matua

kāore i tutuki i a mātou te katoa o ā mātou hātepe mō ngā kerēme o te Tauāki Koronga mō ngā Mahi kia Tutuki i te 2022-2023.

I miramira tēnei i te hiahia kia mārāma te tuku i ngā whakaritenga inihua whenua ki ngā kaipupuri whare. E whakaatu ana hoki me whai whakaaro mātou ki ngā huarahi e tere ake ai, e tika ai hoki te korahi o ngā arotakenga whenua noho whai muri i ēnei momo āhuetanga, me te ū tonu ki te pono o aua arotakenga. Ko te tikanga o tēnei mahi he whakapai ake i te whakataunga o ngā kerēme i te wā e tika ana. E whakauru ana mātou i tā mātou i ako ai ki roto i tā mātou mahi ki te whakapai ake tonu i te whāomotanga me te whaihua o tā mātou taura kerēme puta noa i ngā momo urupare whānui, tae ana ki ngā āhuetanga huarere taikaha.

I tohu te Hepetema 2022 i te 12 tau mai i te tīmatanga o te raupapa rū o Waitaha. E tautoko tonu ana a Toka Tū Ake EQC i ngā kaipupuri whare i Waitaha, me ngā tūkinotanga hou kātahi anō ka kitea, ā, kāore anō kia whakatikaina, tae ana ki te whakahaere i ngā kerēme e toe ana mā Southern Response Earthquake Services, mā te whakahaere hoki i te kaupapa On-sold mā te Karauna. I whiwhi mātou i ngā hua uiuinga pai katoa i tēnei tau mō te oranga ngākau o te kiritaki ki ngā whakataunga kerēme i Waitaha, e whakamanawa nei i a mātou kei te tuku tonu mātou i ngā whakataunga whai hua mā ngā kaipupuri whare o Waitaha.

## **Te tautoko i te manawaroa me te takatūtanga o Aotearoa**

Kia whakamanatia te Natural Hazards Insurance Act 2023 hei te 1 o Hūrae 2024, ka mahi mātou i te whakawhitinga whakamutunga ki tō mātou ingoa hou, ki a Toka Tū Ake Natural Hazards Commission e whakaata pai ake nei i tā mātou mahi. He wāhanga mātou o tētahi pūnaha pāhekoheko o ngā rāngai kāwanatanga, tūmataiti hoki e tautoko ana i te iwi o Aotearoa ki te whakaora wawe ina pā mai ngā āhuetanga matepā taiao.

Ko tētahi āhuetanga hira anō o ā mātou mahi ko te āwhina ki te hanga i ngā hapori manawaroa ake. Whakamahi ai mātou i te whakamahere tūponotanga me tā mātou haumi ki te pūtaiao, ki te rangahau, ki ngā raraunga me te whakatauiratanga kia pai ake ai tā mātou mōhiotanga, kia takatū ai hoki mō ngā aituā taiao o anamata, ahakoa he rū, he horowhenua, he tai āniwhaniwha, he āwhā me te waipuke, he hū puia, he waiariki rānei. Ko tēnei mahi whakarite he āhuetanga hei whakaaroaro ake mā Aotearoa whānui, otirā e piki ake ana ngā mahi hautū a Toka Tū Ake EQC i roto i ēnei āhuetanga.

Waihoki e manawanui ana mātou ki te whakarite he māmā ake te āheinga a ngā kaipupuri whare ki ngā raraunga matepā taiao me ngā mōhiohio. Ko tētahi whakatutukitanga hirahira i tēnei tau, ko te mahi i whāia ki te tuku i te wāhanga tuatahi o tā mātou Tomokanga Mātepā Taiao (Natural Hazards Portal) i te Hūrae 2023. Mā te tomokanga e taea ai e ngā kaipupuri whare te kimi i ngā wāhi noho i Aotearoa me te kite i ngā mōhiohio mō ngā matepā taiao i taua wāhi.

Ko te whanaketanga o tētahi tomokanga tētahi o ngā tūtohunga mai i te Uiuinga Tūmatanui ki Te Kōmihana Rū. Hei āpiti ki ngā mahi i oti i a mātou i tēnei tau kia mōhio ai ki ngā pānga a ngā kerēme whakatau utu ā-moni whai muri i te rū i Kaikōura/Hurunui i te tau 2016 ki te pai o ngā whare o te wāhi me te oranga o ngā kaipupuri whare, kua oti i a Toka Tū Ake EQC te katoa o ngā tūtohunga e 41 o te Uiuinga Tūmatanui i tonoa ai kia arahina e rātou. E tautoko tonu ana mātou i Te Tūāpapa Kura Kāinga ki te kōkiri i ngā tūtohunga e toe ana e pā ana ki te whakaora whare i muri i tētahi āhukatanga matepā taiao kaitā. Ka akiaki tonu mātou i a Hīkina Whakatutuki ki te whai whakaaro ki te whakariterite o ngā kaikōkiri inihua hei aro atu ki ngā āwangawanga i puta i te Uiuinga Tūmatanui mō ā rātou whanonga ki ngā kaikerēme.

### He tūāpapa pūtea pakari

Ko tētahi mātāpono hoahoa matua o tā mātou kaupapa kia noho toitū, otirā ka noho wātea, ka ngāwari tonu te utu o te inihua whare noho paparanga tuatahi rawaka. Ka pērā mātou mā tā mātou whakahaere i te Natural Disaster Fund (NDF), e utua nei e ngā whakaekenga inihua kaipupuri whare, me te whiwhi hoki i te inihua anō mai i ngā mākete moni tōpū ā-ao I tēnei tau, i whiwhi a Toka Tū Ake EQC i tētahi taumata teitei mō te inihua anō, i raro tata i te \$8.2 piriona mō te 2023-2024, kei roto ko te \$225 miriona mā roto mai i tētahi monihere aituā.

I tua atu i tēnei tuatahitanga whakaihiihi mō Aotearoa, mā te tāpiri atu i ngā monihere aituā ki roto i te kohinga haumitanga e kanorau ai mā tētahi mākete

kaihaumi kē me te āwhina ki te whiwhi i te whakamaru tau maha mō Aotearoa, mā reira e whakapakari ai i tā mātou kaupapa whakawhiti tūraru.

Ka tino whakahī mātou i te ingoa ā-ao nā mātou i hanga i runga anō i te pūmau me te pūataata o tā mātou kaupapa me te pūtaiao e haumi nei mātou. I konā e māia ai ngā mākete pūrawa o te ao ki te tuku tonu i te inihua anō ahakoa ngā pānga whānui o te panonitanga āhuarangi puta noa i te ao, he āhukatanga ērā o te horanuku inihua i ngā tau tata kua pahure.

Ko tā mātou whakahaere i te NDF tētahi āhukatanga matua o te manawaroa ā-pūtea o Aotearoa ki ngā āhukatanga matepā taiao, otirā ko te tūmanako mā te pūtea nei e utu ngā utu ahumoni o ngā āhukatanga huarere i te hiku o Te Ika-a-Māui i te pane o tēnei tau.

### Ngā mihi

E whakahī ana mātou ki te tāpae i ngā kitenga ki roto i tēnei Pūrongo ā-Tau a Toka Tū Ake EQC mō te tau i mutu ai i te 30 o Pipiri 2023. Nō mātou te hōnore ki te tautoko i ngā uauatanga me ngā whakatutukitanga i roto i ngā marama 12 whanokē kua pahure. I te tau kua pahure i poroakitia a Emma Dobson i te Pēpuere 2023 i te mutunga o tana kopounga, ā, ka pōhiri i a Andrea Brunner hei mema Poari hou i te Mei 2023. Kua oti hoki i a Jacqui Apiata tana whakaritenga hei Future Director i Toka Tū Ake EQC i Hune 2023, ā, e whai ana mātou ki te tautoko i tētahi atu Future Director hei tētahi wā i te tau e tū mai nei.

Hei whakakapi ake, me kore ake te manawanui kiriūka me te pukumahi o ā mātou kaimahi, i raro i ngā pūkenga kaiārahi a Tina Mitchell, a tā mātou Tumu Whakarae, kua kore e taea ngā whakatutukitanga a te whakahaere i tēnei tau. He mea whakapāpaku mō te Poari te tautoko a ēnei ngaio kakama e oke ana i ia rā kia puta ai ngā panonitanga pai mō te iwi o Aotearoa. Hui katoa, e whakarite ana tā rātou pukumahi me ā rātou tāpaetanga he pono te whakaata a Toka Tū Ake EQC i te tūāpapa i ahu mai ai te pakari o tā tātou ahopoka.

Nā māua nei me ngā mihi.



**Chris Black**  
Heamana o te Poari



**Ruth Dyson**  
Heamana Tuarua o te Poari

## Mai i te Tumu Whakarae

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

Ko tētahi o ngā āhuatanga ahurei o Toka Tū Ake EQC i te ao, kua tino whakamātautauria te kaupapa i roto i ngā rū o Waitaha, me te panoni kia whakaurua ngā akoranga i ākona.

E rua ngā panonitanga nui i whakaritea i ngā tau tata kua pahure i runga anō i aua akoranga. Ko te mea tuatahi ko te panonitanga o tā mātou tauira kerēme, arā kua hono mātou ki ngā kaiinihua tūmataiti kia ngāwari ai te wheako kerēme a ngā kaupupuri whare. Ko te mea tuarua ko te mahi tahi me Te Tai Ōhanga me te Pāremata i roto i ngā tau e rua kua pahure ki te tautoko i tētahi arotake o tā mātou whakatureture whakahaere.

I te 27 o Pēpuere 2023 i whakaaetia tā mātou whakatureture hou e te Kīngi. Ka whakamanatia te Natural Hazards Insurance Act 2023 hei te 1 o Hūrae 2024, otirā ka whakakapuhia te Earthquake Commission Act 1993. Ko te whāinga a te whakatureture hou he whakapai ake i te whakaoranga ā-hapori i ngā matepā taiao, he whakapūaho i tā mātou mahi, he whakapai ake hoki i te pūmau me te ngāwari o te whakatureture. I te roto i te tau 2023-2024 e tū mai nei, e whakamahere ana me te whakatinana mātou i ngā panonitanga hei whakarite e rite katoa ana mātou ki te whakatinana i tā mātou Ture hou hei te puku o te tau 2024.

I te taha o ā mātou whakawhitiwhiti kōrero e haere tonu ana ki te hapori mā tā mātou National Reference Group, i manawa reka hoki mātou ki te whakarewatanga o te New Zealand Claims Resolution Service i te Pēpuere. He nui tonu te tautoko a NZCRS i ngā kaupupuri whare i a rātou e whakahaere ana i tō rātou whakaoranga.

Ko tētahi āhuatanga hirahira ko te whakarewatanga o tā mātou rautaki Te Ao Māori e titiro whānui ana ki ā mātou whakaarotau mō ngā tau e rima e heke mai nei, kia koke tonu ai ki te whakapai ake i ngā ratonga me ngā hua mā ngā kiritaki Māori, te hunga whaipānga Māori, me Aotearoa whānui.

I whai tonu mātou i ā mātou mahi i raro i te hōtaka a te Kāwanatanga e eke ai ki te tukuwaro-kore i roto i te rāngai tūmatanui i mua i te tau 2025, he hira hoki tā mātou anga whakamua i roto i te whakamahinga o ā mātou raraunga mō te whakatauiria ngaronga me te whakawhanake i ngā tūpono tūāhuatanga aituā hei wāhanga o tā mātou whakamahere.

Kei te whakapau kaha ā mātou tāngata i Toka Tū Ake EQC mō te iwi o Aotearoa, ā, e poho kererū ana mātou i tā rātou whai wāhitanga me te manawanui. Nā tā rātou kaha ngana i tutuki ai i a mātou ā mātou mahi i te tau kua pahure, tae ana ki tā mātou mahi whai muri iho i ngā āhuatanga huarere taikaha, ki te haere tonutanga o te whakataunga o ngā kerēme o Waitaha, ki te whiwhi i ngā taumata teitei o te inihua, ki te tuku i tā mātou monihere aituā tuatahi, me te whakawhanake i te Tomokanga Matepā Taiao (Natural Hazards Portal).

E arotahi tonu ana mātou i ngā wā katoa ki tō rātou hauora, haumarutanga me te toiora, me te whakarite he wāhi mahi pai rawa atu a Toka Tū Ake EQC.

Mā te mahi tahi me te hunga whaipānga me ngā hoa rangapū i tēnei tau kua tutuki i a mātou ngā hua pai i roto i te Whakaora, i te Manawaroa, i te Utu ā-Tūraru me te Takatūtanga mō ā mātou kiritaki, mō Aotearoa hoki.

Noho ora mai



**Tina Mitchell**  
Tumu Whakarae

## Our new legislation

From 1 July 2024, the Natural Hazards Insurance Act 2023 will replace the Earthquake Commission Act 1993 (EQC Act) for damage that occurs to residential properties.

Alongside the claims model we introduced in June 2021, this is a significant milestone in the transformation of our organisation. The Natural Hazards Insurance Act draws on lessons learned over the last 30 years and the report of the 2020 Public Inquiry into the Earthquake Commission. There are a number of changes under the new Act, across many aspects of the scheme. This includes improved claims management processes; clarifying building and land cover; and improving financial transparency and governance through a Funding and Risk Management Statement that will guide Toka Tū Ake EQC on investments and risk transfer.

The Act also makes the rules for mixed and multi-use buildings clearer, clarifies law relating to repairing buildings and land following a landslip or other land damage, and simplifies the excesses and calculations for retaining walls, bridges and culverts.

Homeowners are our most important priority, and this legislative guidance will support the processes we have developed to manage and settle claims in a fair and timely way.

Alongside this, the Act introduces new requirements for a Code of Insured Persons' Rights, complaints procedure and dispute resolution to guide our interactions with homeowners and support them if they have a complaint or dispute.

The Act broadens our resilience and research mandate too, reflecting the benefit to the community we deliver through the knowledge we share with homeowners, councils, government and other decision-makers about understanding, responding to and recovering from natural hazard events.

The change to the name of the Act also recognises that our mandate at Toka Tū Ake EQC extends beyond helping people recover from earthquakes, with the scheme also covering landslips, volcanoes, tsunamis, hydrothermal activity, storms and floods.

When the Act comes into force we will officially become Toka Tū Ake Natural Hazards Commission, acknowledging our role in supporting New Zealand to both prepare for and recover from natural hazards.

**Toka**  
(noun) rock, large stone, boulder.

**Tū**  
(verb) to stand, take place, set in place,  
establish, convene.

**Ake**  
(particle) to raise upwards.

Our new name reflects the whakapapa of our nation. Our land is constantly changing from earthquakes, volcanic eruptions, landslips and floods. Communities have lived alongside those perils for hundreds of years, and Māori have always believed the relationship and connection of people to land and nature is inseparable.

Clarifying the role of Toka Tū Ake EQC and updates to the legislation are particularly relevant as New Zealanders continue to live with changing natural hazard events such as the severe weather events of the past year.

The Act will apply to any new natural hazard damage that occurs on or after 1 July 2024. It will not affect entitlements of any current or previous claims. Claimants will still lodge claims with their insurer to access entitlements from Toka Tū Ake EQC following any event.

## At a glance - overview of 2022-2023

**It was a higher-than-average year for claim numbers,** with claims for landslip and flood damage hitting record highs following severe weather events in Nelson/Marlborough in August 2022, and Cyclone Gabrielle and other severe weather in the Upper North Island in January and February 2023.

**We continued to embed our claims model,** collaborating with insurers to continuously improve the model so it works well for homeowners, while also supporting the insurance response to the year's succession of severe weather events.

**Our focus on Canterbury homeowners continued.**

We settled a total of 4,986 claims across all categories of Canterbury claims (Toka Tū Ake EQC claims, the Crown's On-sold programme and Southern Response Earthquake Services claims).

**We supported the passing of the the Natural Hazards Insurance Act** as it moved through the Parliamentary process. The Bill passed its third and final reading on 21 February 2023, enabling the Natural Hazards Insurance Act 2023 to come into force on 1 July 2024.

**We secured a record level of reinsurance of just under \$8.2 billion,** including \$225 million through our first-ever catastrophe bond.

**We launched our Te Ao Māori strategy,** providing a culturally appropriate and authentic framework to progress our work to deliver on our aspiration that Toka Tū Ake EQC is recognised by Māori as a trusted and valued agency of the Crown as a Treaty partner; to be a consciously competent bicultural and multicultural organisation; and, ensure all eligible Māori homeowners have Toka Tū Ake EQC support before and after a natural hazard event.

**We released the first phase of our Natural Hazards Portal in July 2023.** Together with our release of research on the impacts of cash settling claims for the 2016 Kaikōura/Hurunui earthquake on building quality and the wellbeing of homeowners, this means all of the 41 Public Inquiry recommendations Toka Tū Ake EQC was responsible for have now been completed.

**We invested \$18.9 million into natural hazards research, science and public education** to reduce the impact of natural hazards on people and property. Our research priorities include a growing focus on incorporating Mātauranga Māori, social science, and the effects of climate change into the research we fund.

**NIWA and GNS Science received accolades at the NZ Hi-Tech Awards** in August 2022 for the RiskScape® software that Toka Tū Ake EQC invested in and supported the development of, and uses to run its loss modelling (Best Hi-Tech Solution for the Public Good).

**Toka Tū Ake EQC won Reserve Employer of the Year** at the New Zealand Defence Tohu Awards in November 2022.

## At a glance - financial overview

### In 2022-2023, Toka Tū Ake EQC received funding from:

#### Premium income

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

**\$612  
million**

#### Reinsurance claims

In 2022-2023, the amount we received in reinsurance payments was

**\$33  
million**

### In 2022-2023, Toka Tū Ake EQC paid out funding to:

#### Claims

Cash paid on claim settlements and handling costs throughout the year was

**\$239  
million**

#### Reinsurance

The cost of purchasing reinsurance was

**\$286  
million**

#### Crown Guarantee fee

Payment to the Crown was

**\$10  
million**

#### Operating expenses

Covering future event preparation, event response preparation and other operating expenses was

**\$95  
million**

## Who we are and what we do

### Role and purpose

We are governed by legislation, with our roles and functions outlined in the EQC Act.

These key functions include:

- provide natural hazard insurance for residential property (dwellings and some coverage of land)
- administer the NDF, including its investments and reinsurance
- fund research and education on natural hazards and ways of reducing their impact
- undertake additional functions specified in legislation or conferred by our Minister.

From 1 July 2024, our role and functions will be governed by the Natural Hazards Insurance Act.

### Our strategic framework

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

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

Alongside our Statement of Intent, our Statement of Performance Expectations 2022-2023 established the priorities for the 2022-2023 year and measures to assess our performance. These measures were grouped within four output classes:

- **Recovery**
- **Resilience**
- **Risk financing**
- **Readiness.**

By using a consistent strategic framework over time, we can track how these output classes support us to achieve our strategic intentions and outcomes and, ultimately, deliver on our mission and vision. This report describes our performance for 2022-2023 against the measures in the four output classes.

“

**We would like to take this opportunity to thank you so much for all the hard work you have done for us in getting this claim settled urgently. Without your help and support, this would never have happened so quickly.**  
Bernie, Cashmere homeowner

### VISION

To be the world's leading natural disaster insurance scheme



### MISSION

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



### STRATEGIC OUTCOMES

We help New Zealanders to recover after a natural disaster

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

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

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

### STRATEGIC INTENTIONS

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

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

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

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

### OUTPUT CLASSES

Recovery

Resilience

Risk financing

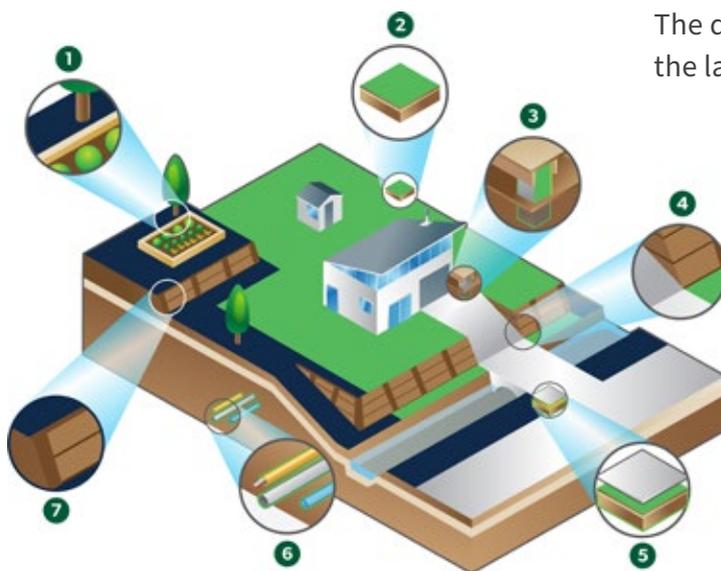
Readiness

## What this means for homeowners

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

### ● Land covered by Tokā Tū Ake EQC

### ● Land not covered by Tokā Tū Ake EQC



1. Trees and gardens are not covered.
2. Land within 8 metres of your home and outbuildings is covered.
3. Any damage to your house's foundation is covered by the building claim (not the land claim).
4. Retaining walls that are within 60 metres of your house and are necessary for the support or protection of the house or any land areas are covered. Bridges and culverts that are within 8 metres of your house (or up to 60 metres if they form part of the main access way) are also covered.

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

The private insurer then provides homeowners with residential building cover above the EQCover cap as set out in their policy document (currently \$300,000 plus GST). Whether damage is to the homeowner's building, land, or both, and regardless of whether the cost is likely to be below or above the EQCover cap, homeowners should contact their private insurers to make an EQCover claim.

The diagram on this page summarises the land and structures we cover.

5. Land within 60 metres of your house which forms the main access way is covered. Any artificial surface like asphalt or concrete is not covered.
6. Water, drainage, sewerage, gas and underground electricity and telephone lines are covered by the building claim (so long as they are serving the home, are within 60 metres of your home and owned by the homeowner).
7. Landscaping (non-structural walls) are not covered.

## Our claims model

Our claims model went live in June 2021. The model is designed to make things simpler for homeowners through having a single point of contact with their insurer for their natural hazard claims.

We have partnered with nine private insurance companies, representing more than 20 insurance brands, to streamline the claims process. Insurers manage customers' EQCover claims for us from lodgement to settlement, as well as any private insurance claims. These insurers cover the vast majority - over 95 percent - of the New Zealand residential insurance market. Toka Tū Ake EQC continues to directly manage EQCover claims from the small number of homeowners not covered by the model.

The companies participating in the model are:

- AA Insurance
- Hollard
- Chubb
- FMG
- IAG
- MAS
- Tower
- Vero
- QBE (from July 2023).



# Statement of performance

Ngā take nui  
me ā mātau  
whakatutukitanga





## Our areas of focus and what we have achieved

This section provides our performance results for the 2022-2023 year. Our results are categorised into the four essential functions we deliver for New Zealanders: Recovery, Resilience, Risk financing and Readiness.

Our performance highlights are:

**Recovery:** resolving Canterbury claims and claims from across New Zealand, including supporting insurers behind the scenes in the aftermaths of the year's severe weather events. This resulted in:

- A total of 12,468 claims lodged through private insurers under our claims model, with high volumes reflecting the extent of landslip and flooding damage from the severe weather that impacted homeowners throughout the year.
- A total of 4,986 claims settled across all categories of Canterbury claims (Toka Tū Ake EQC claims, the Crown's On-sold programme and Southern Response Earthquake Services claims).
- Our highest-ever homeowner satisfaction results for Canterbury claims.

**Resilience:** investment in science, research, data, loss modelling and public education to inform and enable choices and decisions that reduce the vulnerability and exposure of New Zealanders to natural hazards. This included:

- Work undertaken to achieve the release in July 2023 of the first phase of our Natural Hazards Portal that aims to make it easier for people and communities to make risk-based decisions and take action to build their resilience.
- A strong focus on participating in central government policy and planning and making formal submissions on local government statutory plans to ensure natural hazards risk is being adequately considered.
- Ongoing work through our public education programme to improve hazard risk awareness and inspire preparedness, supported by key public education partnerships that help us deliver information on hazard risks most relevant to local communities. Independent public survey measures reflected the effectiveness of our efforts.
- Developing a loss modelling strategy and investment roadmap to underpin our activities as we seek to build the best possible understanding of natural hazard risks and losses New Zealand could experience.

**Risk financing:** managing the Toka Tū Ake EQC scheme so financial resources are available to meet people's claims when they fall due. This included:

- Securing a record level of reinsurance of just under \$8.2 billion from the international market, including \$225 million through a catastrophe bond that is the first of its kind for New Zealand.
- Continued management of the NDF that is key to New Zealand's financial resilience against natural hazard events.

**Readiness:** maximising the effectiveness of our claims model and supporting community preparedness for the range of natural hazards events that are covered under our governing legislation. This included:

- Supporting insurers to apply the scheme to homeowners impacted by natural hazard events.
- Developing an event strategy based on a Mount Taranaki volcanic eruption scenario. This adds to our knowledge pool of event strategies that are a critical part of our readiness to better respond as an industry to major natural disasters.
- Developing an event strategy based on our industry response to weather events this year. Along with work in the coming year to further capture lessons learned from the Upper North Island weather events, including Cyclone Gabrielle, this will be beneficial for Toka Tū Ake EQC and insurers to help be prepared for similar future events and enhance the experiences of homeowners as we support their recovery.

“

**I really appreciate how helpful you've been throughout the process - you're always very quick to respond, helpful and provide plenty of information.**

**Alexandra, Loburn homeowner**

## How Toka Tū Ake EQC performed - Recovery

### What we sought to achieve

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

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

Toka Tū Ake EQC must also apply the scheme fairly, meeting the interests of individual homeowners within the scope of the scheme.

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

### Our performance for our Recovery output classes

This year's results are in the tables below.

● Achieved ● Not Achieved

#### Settlement of 2010-2011 Canterbury earthquake sequence remedial claims (2022-23 Output One)

Measure	2021-2022 performance	2022-2023 target	2022-2023 performance (as at 30 June)
<b>Timeliness</b>			
Outstanding claims over six months old, on hand at 30 June 2022, are settled by 30 June 2023	92%	85%	● 81%
New claims opened or reopened <sup>1</sup> between 1 January 2022 and 31 December 2022 are resolved within six months <sup>2</sup>	86%	85%	● 89%
The Crown's On-sold ex gratia package is administered in accordance with the On-Sold Canterbury Properties Services Agreement	100%	100%	● 100%

1 The open claim has been resolved (closed) from the perspective of Toka Tū Ake EQC. A claim may be classified as resolved following settlement or where the customer has been asked to provide further information related to their claim (over a period) and that has not occurred. This approach is consistent with that taken by the private insurers. To count as reopened, Toka Tū Ake EQC needs to have triaged the request and accepted the possibility of further activity being required.

2 Does not include claims in litigation.

Measure	2021-2022 performance	2022-2023 target	2022-2023 performance (as at 30 June)
<b>Timeliness</b>			
Claims managed on behalf of Southern Response are managed in accordance with the Agreement Relating to Management of Outstanding Canterbury Claims between Toka Tū Ake EQC and Southern Response <sup>3</sup>	100%	100%	● 100%
Achieve claims settlement targets, based on Southern Response settlement projections from March 2022 valuations	New measure	95%	● 69%
<b>Customer Focus<sup>4</sup></b>			
More than 50% of surveyed customers are satisfied with their overall claims experience	65%	>50%	● 78%
<i>Reflecting on their most recent experience</i>			
More than 70% of surveyed customers agree or agree strongly that Toka Tū Ake EQC was transparent and fair in all interactions	79%	>70%	● 85%
More than 70% of surveyed customers agree or agree strongly that Toka Tū Ake EQC was responsive to their individual needs and situation during their recent claim experience	78%	>70%	● 86%
More than 70% of surveyed customers indicate that all communications from Toka Tū Ake EQC were clear and concise, and that they were clear on next steps for their claim	76%	>70%	● 81%
More than 70% of surveyed customers agree or strongly agree that Toka Tū Ake EQC acted as experts with the skills, knowledge and desire to help them	77%	>70%	● 84%
Timeliness of complaints resolution: 90% of complaints resolved in 60 days	90%	>90%	● 91%
Toka Tū Ake EQC settlements should be enduring. Fewer than 5% of claims settled are reopened within six months <sup>5</sup>	2%	<5%	● 1%

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

4 The data comes from the customer satisfaction survey that TNS Kantar undertakes on our behalf each month.

5 This does not include claims reopened for administrative purposes (such as for making a payment or insurer facilitation).



**I trusted the process, from when I made the claim to when my insurer was very helpful and put me through to who I needed I speak to.**

**Denis, Taupō homeowner**

### Claims relating to natural disaster events (excluding Canterbury) (2022-2023 Output One)

Measure	2021-2022 performance	2022-2023 target	2022-2023 performance (as at 30 June)
<b>Timeliness</b>			
Claims lodged between 1 January 2022 and 31 December 2022 are resolved within six months	90%	90%	● 62%
Claims that have not been settled within six months of lodgement are settled within 90 working days of the assessment phase being completed	82%	90%	● 67%
<b>Customer Focus</b>			
More than 70% of surveyed customers are satisfied with their overall claims experience	63%	>70%	● 64%
More than 70% of surveyed customers agree or agree strongly that Toka Tū Ake EQC (or its partner) was transparent and fair in all interactions	56%	>70%	● 65%
More than 70% of surveyed customers agree or agree strongly that Toka Tū Ake EQC (or its partner) was responsive to their individual needs and situation during their recent claim experience	60%	>70%	● 66%
More than 70% of surveyed customers indicate that all communications from Toka Tū Ake EQC (or its partner) were clear and concise, and that they were clear on next steps for their claim	69%	>70%	● 68%

Measure	2021-2022 performance	2022-2023 target	2022-2023 performance (as at 30 June)
<b>Customer Focus</b>			
More than 70% of surveyed customers agree or strongly agree that Toka Tū Ake EQC (or its partner) acted as experts with the skills, knowledge and desire to help them	67%	>70%	● 73%
Timeliness of complaints resolution: 90% of complaints resolved in 60 days or within such longer period as the complainant and private insurer agree <sup>6</sup>	95%	>90%	● 92%
Toka Tū Ake EQC settlements should be enduring. Less than 10% of claims settled are reopened within six months <sup>7</sup>	4%	<10%	● 1%
<b>Quantity</b>			
The ratio of claims handling expense to settlement cost for the period is less than the ratio set by the Board	Achieved	Less than Board-approved ratio (52%)	● Achieved

“

**This feels somewhat monumental! A closing chapter for us. We have loved being back in our house. I particularly enjoy living with the knowledge that the house has been properly repaired.**

**Tom, On-sold programme applicant, Riccarton**

“

**Yesterday was the settlement day. I picked up the key from the office and went to the house straight! It was a fantastic moment of finishing this long journey.**

**Kanako, On-sold programme applicant, Papanui**

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

7 Measure excludes administrative reopens.

## How we achieved these results

### A sustained focus on Canterbury homeowners

We continued to put homeowners at the heart of our ongoing management of claims from events prior to the launch of our claims model in mid-2021. The majority of these were Canterbury earthquake sequence claims, including claims Toka Tū Ake EQC manages on behalf of Southern Response.



**To my great relief, the problems with drainage on my hillside property are now fixed. The polite, helpful and considerate team at Toka Tū Ake EQC made such a difference in what has been a stressful time - they were outstanding.**

**Robyn, Cashmere homeowner**

Canterbury claim numbers (excluding Southern Response claims) continued to gradually reduce during the year, reflecting less newly discovered damage. On average we received 312 claims per month, and on average closed 340 per month. While we consistently closed more claims than we received and maintained a sustained focus on resolving complex aged claims, we came in just below our performance target for settling outstanding claims over six months old.

As at 30 June 2023, we were managing 722 claims, representing approximately 0.4 percent of the properties originally affected. Of these, 15 percent were more than 12 months old.

The most common reason for claim reopens was damage relating to drainage.

Claim reopen rates reduced, from 2 percent in 2021-2022 to 1 percent in 2022-2023. We were pleased to exceed our performance targets for ensuring as timely an outcome as possible for these homeowners.

Across all of Canterbury claims, homeowner satisfaction with the claims process and communication is a key measure of our success. We were pleased to see customer satisfaction continue to increase year on year and exceed our targets.

Customer satisfaction with the single Crown entity approach to Southern Response claims also remained high. The flow of Southern Response claims coming in was significantly lower in this financial year than predicted. While this is a positive, it affected our ability to meet the target of 220 claims settled. We had 32 less claims to settle than expected, and settled 151 in total.

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

Over the last year we continued to support On-sold homeowners completing reinstatement works, navigating ongoing inflationary pressures, construction cost increases and delays from supply chain constraints. During our time managing the programme our On-sold team has supported around 500 completed reinstatements for homeowners, and as at 30 June had more than 400 more with

a signed agreement and reinstatement in progress. We continue to monitor the impact of the pressures on the On-sold programme, provide good outcomes for homeowners and ensure earthquake-damaged homes are repaired or replaced once and for all.

### Supporting insurers behind the scenes

We received the highest volume of claims through our insurer-based claims management model this year since the model started at the end of June 2021, with 12,468 EQCover claims received during 2022-2023, compared with 2,391 in 2021-2022. Over the year 193 claims were also lodged directly with Toka Tū Ake EQC for events other than the Canterbury and Kaikōura earthquakes.

During 2022-2023 (as at 30 June 2023), EQCover provided natural hazard cover for:

- Nelson and Marlborough flooding in August 2022, resulting in 1,492 claims.
- Severe Upper North Island flooding in January and February, resulting in 3,922 claims.
- Cyclone Gabrielle in February 2023, resulting in 3,001 claims.
- Other events including earthquakes, resulting in 4,053 claims.

We did not achieve six of our 10 non-Canterbury claims performance targets in 2022-2023. One of the main reasons for this is the significant change in our claims profile as a result of the year's severe weather events. Previously the majority of claims were for building damage, usually by earthquake. In the last year, we have seen that profile invert, with 80 percent of the claims now being for land.

The Nelson/Marlborough event gives us interesting insights into claims management timelines when there are large numbers of land claims. Land claims take longer to settle than building claims because the damage assessment can only occur once the land stops moving. If done any sooner, another assessment is needed at a later date.

“

**Everything was dealt with very quickly. I had to go through several different people, but there were no delays.**

**Waikato homeowner**

Land claims also take longer to assess because of the calculations required by the Act and the limited number of geotechnical assessors available. Organisations and government entities involved in the response to severe weather events all call on geotechnical and structural engineers, and other specialist expertise.

Growing specialist capability and capacity across the industry to better support the timely resolution of EQCover claims is therefore an ongoing focus for Toka Tū Ake EQC. To assist insurers with the significant scale of recovery from the year's weather events, we have been providing many geotechnical firms with ongoing training since February 2023. We have also provided technical guidance from our subject matter experts who work alongside insurers to help support claim settlements.

For example, following Cyclone Gabrielle, Toka Tū Ake EQC claims specialists were based onsite in some insurers' offices to provide on-the-spot support and guidance for EQCover claims management.

While EQCover claims make up a small proportion of the overall insurance industry response and remain well below the surge capacity of our model, the number and nature of insurance events through the year have been challenging for the insurance industry. Despite this, when the land assessment process that can take six months or more is separated from the claims management process, we are seeing insurers settle close to 90 percent of claims once they are ready to be progressed through standard claims management processes.

Supported by the strong relationships that have developed between Toka Tū Ake EQC, insurers and the Insurance Council of New Zealand that enables an improved joint approach to problem-solving, we are incorporating what we are learning from the year's weather events to continuously improve the efficiency and effectiveness of our claims model. We have also adjusted our performance metrics for 2023-2024 to better reflect the type of claims being managed (i.e. predominantly land claims).

### **A strong homeowner voice**

Toka Tū Ake EQC is committed to understanding homeowners and ensuring we are responsive to their feedback and outcomes.

A key aspect of our claim model's partnering approach is understanding and supporting the way insurers engage and connect with homeowners too. This includes sharing what we hear from homeowners so together we can continuously build on and improve their experience.

Homeowners are invited to complete a survey once their EQCover claim is settled. Their feedback continues to provide

valuable insights into what is working well under the model, and what still needs to be adjusted to address issues they are experiencing. Results show homeowners appreciate the professionalism of insurer representatives, assessors and other experts, and the consistency and quality of communication during their claims journey.

Timeliness of claims progress and communications are opportunities for improvement as we work together with the industry to address the resource constraints that have impacted the industry as a whole this year, including geotechnical resource needed for EQCover claims.

To help further guide us on how we and our insurer partners can better respond to homeowners under the model, Toka Tū Ake EQC also began research that will be completed during 2023 to capture, in depth, the experiences of 15 homeowners who have had their land claims settled.

Alongside this is the community voice we access through the National Reference Group, a taonga for Toka Tū Ake EQC which provides a vital steer on customer service. We also welcomed the launch in February 2023 of the New Zealand Claims Resolution Service as an additional support to ensure the best possible experience for homeowners.

The Natural Hazards Insurance Act will introduce a Code of Insured Person's Rights and standing dispute resolution service. The Act will also provide legislative guidance to support the processes we have developed to best serve the homeowners we help to recover from the ongoing effects of natural hazard events.

## How Tokā Tū Ake EQC performed - Resilience

### What we sought to achieve

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

We do this by investing in science, research, data, loss modelling and public education to inform and enable the choices and decisions that reduce the vulnerability and exposure of New Zealanders to natural hazards.

Our goal is to reduce the impact from future natural hazard events through New Zealanders having stronger homes, built on better land.

Understanding more about the natural hazards we live with also builds the confidence of reinsurers, supporting one of the Crown's goals of New Zealanders having access to affordable natural disaster insurance for residential homes.

### Our performance for our Resilience output classes

This year's results are in the tables below.

● Achieved ● Not Achieved

#### A resilience programme that facilitates improved analytics and public understanding of natural hazard risk (2022-2023 Output Two)

Measure	2021-2022 performance	2022-2023 target	2022-2023 performance (as at 30 June)
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#### Quality

Percentage of stakeholders<sup>8</sup> surveyed<sup>9</sup> agree or strongly agree that the outputs of the investment by Tokā Tū Ake EQC in research are:

• of good or excellent quality	83%	75%	● 86%
• relevant and focused on the outcomes of the Resilience Strategy	78%	75%	● 85%

Percentage of stakeholders surveyed agree or strongly agree that Tokā Tū Ake EQC:

• is contributing to driving progress in resilience to natural hazards	85%	75%	● 82%
• is an engaged and supportive partner	83%	75%	● 88%

<sup>8</sup> Stakeholders include central government, local government, science and research, the insurance industry, and design, planning, and construction professionals.

<sup>9</sup> Quantitative surveys are undertaken by Research First, an independent organisation.

Measure	2021-2022 performance	2022-2023 target	2022-2023 performance (as at 30 June)
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**Quality**

Percentage of the public surveyed<sup>10</sup> who say:

<ul style="list-style-type: none"> <li>they thought about potential risks of natural hazards when buying or looking to buy a property</li> </ul>	85%	>75%	● 90%
<ul style="list-style-type: none"> <li>they are aware they can take action to make their homes safer and stronger for disaster events</li> </ul>	68%	>60%	● 69%
<ul style="list-style-type: none"> <li>where possible, they have taken action as homeowners on any of the six key preparedness actions<sup>11</sup> promoted by Toka Tū Ake EQC<sup>12</sup></li> </ul>	83%	>55% (revised methodology <sup>13</sup> )	● 58%

Number of formal, evidence-based submissions made on relevant (natural hazard risk) policies, plans, or initiatives or local government statutory plans

Reviewer commentary that submissions are:

<ul style="list-style-type: none"> <li>of good quality</li> <li>on matters relevant to natural hazard risk reduction</li> </ul>	8	>5	● 16
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10 Quantitative surveys are undertaken by A C Nielsen, an independent organisation.

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

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

13 This measure has been revised to include both homeowners and tenants (previously just homeowners), to capture a wider public response. Furthermore, rather than focusing on whether action had been taken on *any* one of the six key preparedness steps, the revised measure looks at action taken across *all* six steps - to provide a more complete picture of preparedness.

## Innovating through technology to enhance loss modelling and public understanding of natural hazard risks (2022-2023 Output Two)

Measure	2021-2022 performance	2022-2023 target	2022-2023 performance (as at 30 June)
<b>Quality</b>			
Deliver the following milestones for loss modelling:	Milestones achieved	Milestones achieved	
<ul style="list-style-type: none"> <li>Implement the new National Seismic Hazard Model in PRUE<sup>14</sup></li> </ul>			● Completion rescheduled to Q3 2023-2024
<ul style="list-style-type: none"> <li>Implement new earthquake fragility models in PRUE</li> </ul>			● Completion rescheduled to Q3 2023-2024
<ul style="list-style-type: none"> <li>Agree a forward loss modelling strategy with GNS and NIWA</li> </ul>			● Achieved
Deliver the following milestones for the Risk and Resilience Portal <sup>15</sup> :	Completion rescheduled to early 2023		● Milestones deferred to 2023-2024
<ul style="list-style-type: none"> <li>Establish an online register that provides the public with information on Toka Tū Ake EQC claims for individual residential properties</li> </ul>		By 30 December 2022	
<ul style="list-style-type: none"> <li>Stage two of the Portal is costed and signed off by the Toka Tū Ake EQC Board</li> </ul>		By 30 June 2023	

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

15 This has been renamed as our Natural Hazards Portal, phase one of which was released in July 2023.

**How we achieved these results**  
**Implementing our Resilience Strategy**

Our *Resilience Strategy for Natural Hazard Risk Reduction 2019-2029* sets out our 10-year ambition to play a key role in addressing New Zealand’s current and future resilience challenges. The strategy has a focus on driving better natural hazard risk management, driven by our research and education mandate.

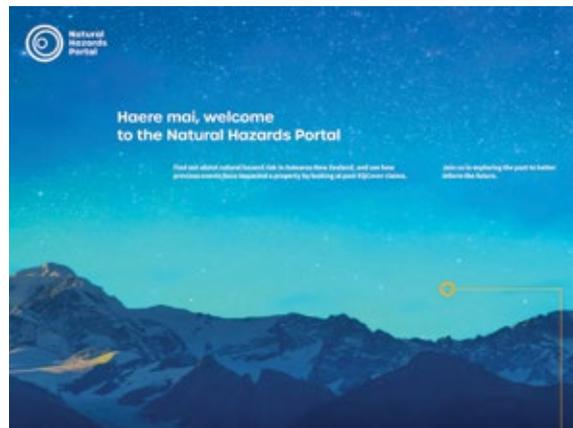
Our vision is that natural hazards resilience becomes embedded in all aspects of our decision-making for our homes, towns and cities.

A key foundation for the strategy’s success is our relationships, reputation and credibility with stakeholders (including central and local government, science and research, the insurance industry, and design, planning and construction professionals). Our stakeholder surveys help us understand needs and issues, and to target our investment and effort to where we can best add value and make a difference. Overall, our KPI results measured through these surveys reflect significant levels of positive support and a high regard for our work.

Our partners and stakeholders recognise research as a critical element of Toka Tū Ake EQC alongside our role as national residential insurer. Guided by their insights to target our research investment more effectively, in 2022-2023 we supported more than 70 research projects<sup>16</sup>. This included a growing focus on incorporating Mātauranga Māori, social science, and the effects of climate change.

**Improving hazard risk awareness and inspiring preparedness**

Over this year we implemented the last Toka Tū Ake EQC led Public Inquiry recommendation to be addressed with the development of our Natural Hazards Portal. The portal will make it easier for people and communities to access and understand risk information, and be empowered to make risk-based decisions and take action to build their resilience.



In June 2023 the Toka Tū Ake EQC Board approved the release in July 2023 of the first phase of the portal, displaying nationwide closed EQCover claims information from previous natural hazard events (event type, event date and claim type). Our performance milestones for the portal were deferred to the 2023-2024 performance year to ensure a social impact assessment was completed, and all data quality, privacy and security risks of the portal were carefully assessed, tested and mitigated. The portal’s functionality will be further developed and released over time, with a phase two business case for the portal due to be presented to the Board in 2024.

<sup>16</sup> Read more about the research Toka Tū Ake EQC has funded at [www.eqc.govt.nz/resilience-and-research/research/projects-on-the-go](http://www.eqc.govt.nz/resilience-and-research/research/projects-on-the-go) and [www.eqc.govt.nz/assets/Publications-Resources/Resilience-and-Research-Publications-2022-Resilience-and-Research-highlights-digital.pdf](http://www.eqc.govt.nz/assets/Publications-Resources/Resilience-and-Research-Publications-2022-Resilience-and-Research-highlights-digital.pdf)

Alongside this, our public education programme continues a long-standing commitment to connect New Zealanders with information about natural hazard risk and actions they can take to reduce the impact of natural hazard events. We have a strong focus on delivering our key messages to households and communities when they are most likely to need - and act upon - them.

In 2022-2023 this included public education campaigns targeting homeowners and home buyers. A new campaign focused on those renovating their homes and using this as an opportunity to encourage more significant resilience actions. GeoNet 'felt report' data continued to drive geo-targeted delivery of our award-winning *After Quake* 'Double Take' preparedness campaign to communities with heightened awareness of natural hazard risk due to their recent experience of an earthquake.

During the year we also renewed and established many key public education partnerships. An important aspect of many of these relationships is growing the next generation of natural hazard risk-aware New Zealanders through school programmes. Delivering information on natural hazard risks most relevant to local communities is also a primary benefit of many of these relationships.

### **Our performance in public survey measures reflects the effectiveness of our efforts, and where we need to continue to focus.**

**69%**

New Zealand adults surveyed said they were aware they can take action to make their homes safer and stronger for natural hazard events.

**91%**

Home buyers said they consider natural hazard risk as part of the decision-making process.

**58%**

Homeowners said they had taken action across six key preparedness actions promoted by Toka Tū Ake EQC, which includes more significant steps such as removing or replacing hazardous chimneys and securing a home's foundations.

### **Sharing knowledge and influencing planning**

Throughout the year we have continued to leverage our investment in natural hazard science, data and research to build a compelling evidence base that can be used to inform and enable decision-makers.

In 2022-2023 this included a strong emphasis on making formal submissions on local government district plans and plan changes, and participating in the development of relevant central government policy and plans. If developments are proposed in areas with high natural risks, we see it as our role to highlight those considerations. Our aim is to ensure natural hazard risk is considered in all decisions on buildings, land and land-use planning, with a focus on reducing current risks, and minimising the creation of new risk, to help build a more natural hazard resilient nation.

We know climate change is intensifying some of the risks Toka Tū Ake EQC covers, such as landslips and floods (for residential land). Our Toka Tū Ake EQC mantra of ‘stronger homes on better land’ has resonated more surely than ever, including with key decision-makers, due to the year’s severe weather events. We continue to look for ways to contribute to the work required to ensure New Zealand builds back better and smarter from these events, and any events we may face in the future.

The range of actions we intend to take to influence decision-makers can be found in our *Resilient Homes and Buildings Action Plan*<sup>17</sup> and *Smarter Land Use Action Plan for Risk Reduction*<sup>18</sup>.

The Natural Hazards Insurance Act will further emphasise our research and education functions.

Updates to the purpose of the Act and new objectives for Toka Tū Ake EQC will support us in making a broader contribution to initiatives or policy, including cross-government initiatives seeking to improve resilience to natural hazards.

### **Embracing the value of data for natural hazard risk management**

As part of our focus on finding innovative ways to further deliver our resilience functions and support our risk financing and readiness activities, in 2022-2023 we developed a loss modelling strategy and investment roadmap as we seek to build the best possible understanding of the natural hazard risks and losses we could experience.

Among the highlights of our work in this area, the RiskScape® software we use to run our loss modelling tool PRUE was awarded ‘Best Hi-Tech Solution for the Public Good’ at the NZ Hi-Tech Awards in August 2022.

This followed many years of collaboration between NIWA and GNS Science, and more recently our own support of the development of this vital piece of technology for understanding and measuring risk in the New Zealand context. We were delighted with this accolade for the RiskScape® team.

We reached a major milestone in 2022 with the release of New Zealand’s updated National Seismic Hazard Model (NSHM).

17 [www.eqc.govt.nz/our-publications/resilient-homes-and-buildings-action-plan/](http://www.eqc.govt.nz/our-publications/resilient-homes-and-buildings-action-plan/)

18 [www.eqc.govt.nz/our-publications/smarter-land-use-action-plan/](http://www.eqc.govt.nz/our-publications/smarter-land-use-action-plan/)

This model is an important part of the country's science infrastructure and contributes to managing the risks to safety and the economy from seismic events.

Led by a team at GNS Science and co-funded by the Ministry for Business, Innovation and Employment (MBIE) and Toka Tū Ake EQC, the revision of the model incorporated years of work and research by local and international scientists and academics from diverse research fields. At Toka Tū Ake EQC our primary interest in the model is for natural hazard risk and loss modelling for insurance and reinsurance purposes, as well as how it can be used in local government resource management and land use planning<sup>19</sup>.

We did not achieve two of our loss modelling milestones. The complexity of the new NSHM meant that additional functionality needed to be built into RiskScape®. Together with late delivery of the new earthquake fragility models due to nationwide science resource being significantly diverted by the response to Cyclone Gabrielle, this meant we had to defer implementation of the NSHM in PRUE until 2023-2024 when all new functionality and models can be implemented together.

“

**Toka Tū Ake EQC is a supportive and engaged partner. They make themselves available when we need to communicate about a project. They're helpful and work with me when any issues arise.**

**Science and research stakeholder**

<sup>19</sup> More detail on the NSHM can be found at [www.gns.cri.nz/research-projects/national-seismic-hazard-model/](http://www.gns.cri.nz/research-projects/national-seismic-hazard-model/)

## How Toka Tū Ake EQC performed - Risk financing

### What we sought to achieve

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

We do this in a range of ways, including through managing the Natural Disaster Fund (NDF), support by international reinsurers, and working with Treasury to understand the Crown's risk appetite and any potential need to call on the Crown guarantee.

### Our performance for our Risk Financing output classes

This year's results are in the tables below.

● Achieved ● Not Achieved

#### Maintain a reinsurance programme that supports delivery of affordable residential natural disaster insurance protection (2022-2023 Output Three)

Measure	2021-2022 performance	2022-2023 target	2022-2023 performance (as at 30 June)
<b>Quality</b>			
Reinsurance protection for 2023-2024 is obtained on terms that assure continuity of coverage for all perils, at rates that are lower than the Crown's cost of capital	Achieved	By 1 June 2023	● Achieved
Annual consultation with the Crown on risk appetite occurs prior to purchasing reinsurance for 2023-2024	Achieved	Achieved	● Achieved
An annual review of the risk financing strategy is conducted	Achieved	By 30 June 2023	● Achieved

#### Managing the Natural Disaster Fund (NDF) (2022-2023 Output Three)

The level of levies collected compared to annual financial budget	100%	100%	● 100%
The NDF is managed in accordance with directions from the Minister	100%	100%	● 100%
The value of the NDF is rebuilt (assumes fewer than 4,500 new claims in addition to Canterbury reopens)	\$258m	>\$185m	● \$352m

## How we achieved these results

### A strong reinsurance programme

The Toka Tū Ake EQC annual reinsurance programme provides protection for the scheme and the broader Crown’s balance sheet from catastrophic natural hazard events in New Zealand. It is one of the key benefits our scheme delivers for New Zealanders, ensuring accessible insurance that protects homeowners from the natural hazard risks we live with.

Our geographical isolation and the fact that most of the scheme perils that are reinsured relate to geological-type (under the ground) rather than climate-related (above the ground) risks provides added diversity for reinsurers.

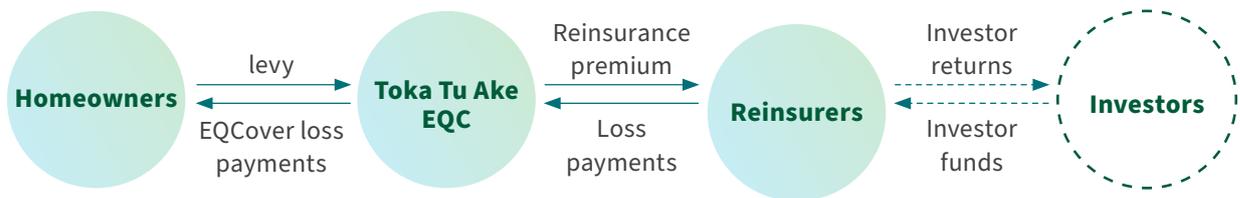
In June 2023 we secured a record level of reinsurance of just under \$8.2 billion from the international market, up from \$7.4 billion the previous year. This includes \$225 million through a catastrophe bond which Toka Tū Ake EQC secured in May 2023. This level of market support makes our scheme one of the biggest natural disaster reinsurance programmes globally.

Our entry into the catastrophe bond market was a first for New Zealand, providing Toka Tū Ake EQC with access to a different capital pool, while complementing the long-standing relationships we have forged with traditional reinsurers. While the catastrophe bond makes up a small part of our overall reinsurance portfolio, it was a significant step to secure multi-year protection for New Zealand and strengthen our risk transfer programme by increasing the number of organisations providing support.

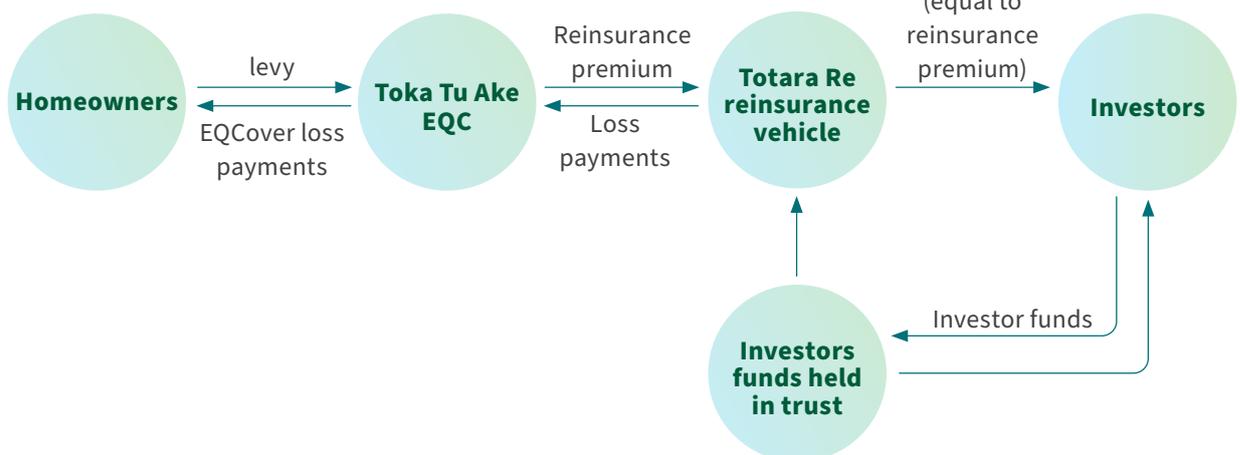
This year was an extremely challenging global market for reinsurance. Our ability to secure record cover in this environment is a testament to the global reputation of our scheme.

Our strong reputation is supported by our ongoing investment in research and modelling of earthquake risk and its associated damage, including the ongoing development of our loss modelling tool PRUE.

### Reinsurance using the traditional mechanism



### Reinsurance using a catastrophe bond



This is an important component of our risk financing strategy that is central to our planning and engagement with reinsurers, reducing uncertainty for them on the risks they are covering. The modelling application combines geographical information, seismic hazard and financial analysis to simulate the predicted number of claims Toka Tū Ake EQC will receive and the likely losses as a result of a particular single event.

### **Building the financial resilience of our scheme**

The increase in the EQCover building cap that came into effect on 1 October 2022<sup>20</sup> has seen an associated increase in levies received. This adds momentum to our efforts to build the NDF to ensure New Zealand is financially better prepared for future natural hazard events. In most years, the levy received is significantly more than is paid out in claims. The remainder, after funding the organisation's operating costs and reinsurance purchase, is invested in the NDF so it is available to support events in the future.

While the impact of the Upper North Island weather events of January and February 2023 will reduce the value of the NDF, we expect the fund to cover the costs of these events. The combination of reserves in the NDF and a strong risk transfer programme lessens the need for recourse to the Crown guarantee in the event of a significant natural hazard event.

However, the Crown's statutory guarantee provides assurance to all insured homeowners that their claims for natural hazard event damage will be paid. Until the NDF is rebuilt to the level of the reinsurance deductible, if a major natural disaster occurs, claims

in excess of the balance of the NDF and below the level at which reinsurance is purchased will be satisfied by the Crown under section 16 of the EQC Act.

We have increased the scheme deductible (reinsurance excess) for the 2023-2024 reinsurance year to account for the increase in the EQCover building cap and market conditions. Our reinsurance programme limit has increased and will also have a larger element of retained risk, meaning that the Crown guarantee may continue to be drawn on after reinsurance threshold has been reached. These steps helped to manage the cost of our reinsurance programme, while securing an increased level of cover for New Zealand.

Toka Tū Ake EQC has always consulted with Treasury on the Crown's risk appetite and managed the NDF in accordance with Ministerial Directions. This is a key quality measure in our performance measures. From 1 July 2024 the Crown's risk appetite will be formalised through a Funding and Risk Management Statement, a new requirement under the incoming Natural Hazards Insurance Act. The Funding and Risk Management Statement will articulate the Crown's risk appetite for the scheme, provide guidance on investments and risk transfer, and detail how the risks and costs of the scheme are shared between levy payers and the Crown.



**Great communication and very clear on what was happening. I was kept in the loop so I felt like I knew what was going on.**

**Jan, Waikato homeowner**

<sup>20</sup> On 1 October 2022 the EQCover building cap increased from \$150,000 plus GST to \$300,000 plus GST. The new levy, set up in regulation, is 16 cents per \$100 of the EQCover amount, up to a maximum of \$480 plus GST. Prior to the change the levy was 20 cents per \$100 of the EQCover amount up to a maximum of \$300 plus GST.

## How Toka Tū Ake EQC performed - Readiness

### What we sought to achieve

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

We do this by maximising the effectiveness of our claims model, running scenario exercises, planning for business continuity and identifying areas for improvement. The National Reference Group, which represents a network of homeowner perspectives, provides us with invaluable input into this work.

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

### Our performance for Readiness output classes

This year’s results are in the tables below.

● Achieved ● Not Achieved

#### Readiness for an event (2022-2023 Output Four)

Measure	2021-2022 performance	2022-2023 target	2022-2023 performance (as at 30 June)
<b>Quantity</b>			
Toka Tū Ake EQC will continue to conduct scenario exercises that will demonstrate that Toka Tū Ake EQC, with insurers and other key recovery agencies, can respond to a significant natural disaster up to 100,000 claims	Achieved	Independent evaluation reviewing our exercises to ensure they are fit for purpose by 30 June 2023	● Achieved
To support co-ordinated insurance response and recovery activities, by 30 June 2023 Toka Tū Ake EQC (with its partners) has developed two event response strategies that cater to a range of natural disaster perils that Toka Tū Ake EQC covers	Achieved	Two event response strategies developed by 30 June 2023	● Not Achieved <sup>21</sup>

<sup>21</sup> A strategy for a Mount Taranaki volcanic eruption scenario was completed. Instead of a proposed Wellington earthquake event strategy we focused on our industry response to severe weather events and using what we have learned to develop a weather event strategy.

## Readiness for an event (2022-2023 Output Four)

Measure	2021-2022 performance	2022-2023 target	2022-2023 performance (as at 30 June)
<b>Quantity</b>			
NDRM <sup>22</sup> systems are analysed and process and data exchange enhancements are agreed between Toka Tū Ake EQC and insurers to ensure scalability and robustness of the NDRM	Not achieved (by 30 September 2021)	By 30 December 2022	● Achieved
<b>Quality</b>			
Moderate- and high-risk issues identified through the Insurer Response Model Assurance Framework have an agreed and documented action plan to address those issues (including timeframes), and relevant actions have been completed within the agreed timeframes	95%	≥95%	● 98%
Toka Tū Ake EQC implements recommendations 5.1.3 <sup>23</sup> and 6.1.3 <sup>24</sup> from the 2020 Public Inquiry by 24 December 2022	50%	On track	● Not achieved <sup>25</sup>
New Zealanders have increasing trust and confidence in Toka Tū Ake EQC	92 in Public Sector Reputation Index	Results increase from the previous financial year across a range of survey measures	● 94 in Public Sector Reputation Index

22 Our Natural Disaster Response Model (NDRM) is referred to as our claims model throughout this document.

23 Public Inquiry recommendation to conduct a detailed assessment of the impacts of cash settlement of claims in the Kaikōura/Hurunui earthquake, including long-term housing stock quality impacts.

24 Public Inquiry recommendation to establish an online register that provides EQC information on claims for individual residential properties that are free and simple to use for prospective home buyers. See also measure 2.2.2.

25 These final two recommendations have now been closed out. Work was completed during 2022-2023 to release phase one of our Natural Hazards Portal in July 2023. We also released independent research in June 2023 that we commissioned on the impact of cash settlements on EQCover claims in the Kaikōura/Hurunui earthquake.

## How we achieved these results

### Developing our claims model

Our claims model requires collaboration and co-operation with insurers on many aspects including data sharing, customer communications and event readiness. We have worked closely together with insurers over the past year to continuously improve the model so that it works well for homeowners.

The severe weather events of this year have enabled us to gain greater clarity about our role within our claims model, and how we can support insurers and other key stakeholders to better understand the model and the experience that we want to deliver to impacted homeowners.



**Resolving my claim was seamless from end to end.**

**Levin homeowner**

That role is very much about supporting insurers behind the scenes. This includes helping grow industry capability and capacity so that there is enough resource and expertise for recovery organisations and agencies to call upon in a major event

A key focus over the year has been to grow our understanding of our insurer partners' processes, systems, and the way in which they engage and connect with homeowners, and knowledge-sharing in a way that supports this.

This has included ongoing work with insurers to embed the residential land cover knowledge needed to support land claims, given the significant change in our claims profile due to the severe weather events. Through this mutual focus, stronger insurer relationships and a shared commitment to keeping homeowner experience front of mind, we are successfully enhancing the claims model to achieve greater efficiency and effectiveness.

### Supporting community preparedness

While 2022-2023 has been dominated by the insurance response to severe weather events, it is important to be prepared for the range of natural hazard events that are covered under our governing legislation.

Event strategies are a critical part of our readiness to better respond as an industry to a major natural disaster by using valuable lessons learned over the years. By developing and testing them through exercises we can share insights with the community, iwi, local and central government, and the emergency management sector to ensure our response strategies are aligned and resources and information are used efficiently. They also inform our evolving public education programme to ensure homeowners better understand their natural hazards, individual and community risk, and what they can do to prepare for future events.

In 2022-2023 we added to this knowledge pool with a strategy for a Mount Taranaki volcanic eruption scenario.

We were also proposing to produce a Wellington earthquake event strategy in this financial year but, with the increase in weather impacts, instead focused on our industry response to these events and using what we have learned to develop a weather event strategy. Along with work in the coming year to further capture lessons learned from the Upper North Island weather events, this strategy will be beneficial for Toka Tū Ake EQC and insurers to help be prepared for similar future events, and to enhance the experience of homeowners as we support their recovery.

### Implementing Public Inquiry recommendations

The Public Inquiry into the Earthquake Commission was established in November 2018, to examine the role and work of EQC, and to learn from the Canterbury earthquake sequence experience to inform how the organisation operates in the future. The report on the Inquiry was released in April 2020.

The report highlights the challenges faced by Toka Tū Ake EQC in responding to the Canterbury earthquakes, the most complex and damaging earthquake sequence in recent times. There were 70 recommendations to help ensure no other community experiences the same stress and uncertainty following a natural hazard event.

The Government accepted all 70 Inquiry recommendations and assigned 41 to Toka Tū Ake EQC to lead. The Treasury oversees and monitors agencies' implementation of the recommendations they each lead.

Fulfilling the 41 recommendations has been a priority for Toka Tū Ake EQC over the last two and a half years. In a milestone achievement this year, the final two of these have now been closed out:

- Work was completed to release phase one of our Natural Hazards Portal in July 2023, with more detail on this included in the Resilience section of this Annual Report.
- We also released independent research in June 2023 that we commissioned on the impacts of cash settlements of EQCover claims in the Kaikōura/Hurunui earthquake<sup>26</sup>, including the longer-term impact on the quality of the housing stock and the wellbeing of claimants. While the research was limited to a specific event, it increases our understanding of the effectiveness of cash settlements (most people chose to carry out repairs) and highlights ways that we and other agencies can improve outcomes. We will use this information for our own future planning for responding to different natural hazard events, as well as sharing with central government agencies involved in housing recovery after events.

<sup>26</sup> For more information visit [www.eqc.govt.nz/resilience-and-research/research/search-all-research-reports/2016-kaikoura-hurunui-earthquake-claims-settlement-research-housing-quality-report/](http://www.eqc.govt.nz/resilience-and-research/research/search-all-research-reports/2016-kaikoura-hurunui-earthquake-claims-settlement-research-housing-quality-report/)

## Public trust and confidence

We use a range of indicators to measure how effective our actions are in improving public trust and confidence in Toka Tū Ake EQC and delivering for homeowners. This includes stakeholder perception research carried out by Research First for our Resilience and Research function that reflects the positive support and regard stakeholders have for our work in that area. Results from public surveys carried out by AC Nielsen also reflect the effectiveness of our work to improve awareness of and preparedness for natural hazard risks in New Zealand. More information on these measures can be found in the Resilience section of this Annual Report.

We also track our progress through the annual Public Sector Reputation Index, which measures the reputation of nearly 60 New Zealand public sector agencies. The index measures reputation across four pillars of trust, social responsibility, leadership and fairness. We were pleased to continue to improve our index score this year. We remain focused on continually improving on this achievement through our commitment to making a difference for homeowners and our collaborative approach to addressing recovery and resilience issues. In the coming year we will seek further insights into how we can do better through conversations with our stakeholders and customers.

We know a key element to building and maintaining public trust lies in homeowners' claims experiences, which we track to learn from their feedback and continue to improve how we deliver to them. You can read more about this in the Recovery section of this report.

“

**We've been really impressed with each of the Toka Tu Ake EQC staff we've dealt with for this final repair, and it is such a relief to have our home properly fixed. It feels like a huge weight of worry has been lifted.**

**Darrell and Cathy, On-sold programme applicants, Dallington**

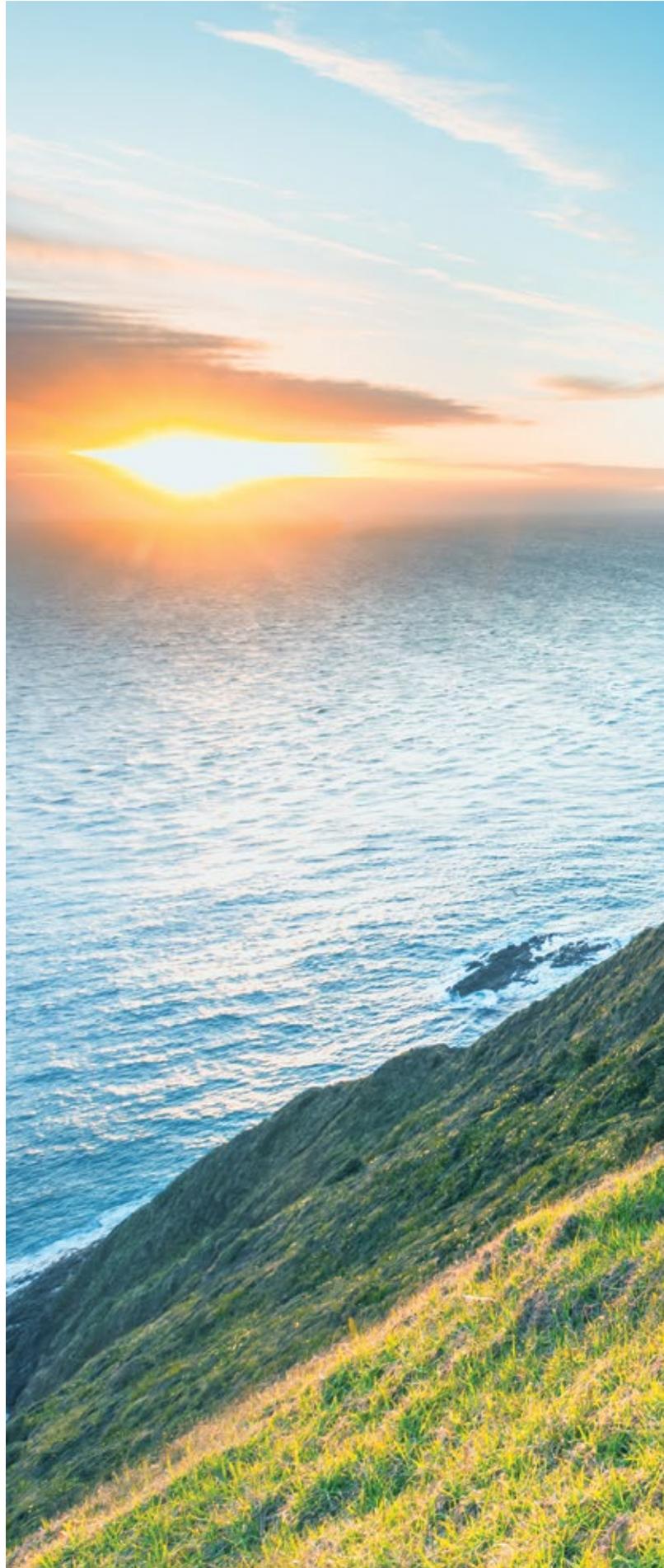
“

**Thanks for your help and your professionalism during this process. We are really happy with your approach during this stressful time and timely manner in which the claim was progressed.**

**St Albans homeowner**

# Organisation and governance

Te Kōmihana  
me tana  
kāwanatanga





## Organisation

### Making Toka Tū Ake EQC a great place to work

The skills, knowledge and perspectives our people at Toka Tū Ake EQC bring to our work are vital to achieving our organisational goals and unique purpose in support of New Zealanders. We are proud of the calibre of our team, and continue to prioritise investment in their development and wellbeing, providing a positive work environment, and fostering our culture of inclusivity and support.

Our annual engagement survey results tell us our people feel connected to our purpose and that support for their wellbeing is at the forefront of how we do things at Toka Tū Ake EQC. Our overall staff engagement scores increased from 75 percent in February 2022, to 76 percent in February 2023 (14 percent above the State Sector benchmark).

In the February 2023 survey, as with previous surveys, our people again told us they are highly motivated by the purpose of our organisation and the work we do to support New Zealanders.

The engagement survey results also reflect our commitment at Toka Tū Ake EQC to he wāhi tiaki tangata - providing a safe place that people are welcomed into, where each person is cared for, and where te mana o te tangata is respected. This has been encapsulated in our Modern Workplace Strategy 2022-2025, which recognises that listening to what working arrangements work best for our people and balancing these with the needs of the job get great results.

We were pleased that through our employee engagement survey, 90 percent of our people told us they feel well supported to work flexibly. Working arrangements are a positive contributor to our people's wellbeing, our productivity as individuals and an organisation, and the readiness of Toka Tū Ake EQC to respond to natural hazard events. In 2022-2023 this stood us in good stead as we supported the insurance response to events in Nelson/Marlborough and the Upper North Island.

The way we work was also enhanced by bringing our Readiness and Canterbury Claims teams together into a Readiness and Recovery Group, to leverage our common expertise in managing claims, partnerships and events for the benefit of our customers and partners.

In March 2023, Toka Tū Ake EQC was successfully assessed for re-accreditation of the GenderTick™ that we were awarded in 2021. Retaining the GenderTick™ is a milestone in our gender equity journey, and signifies our continued commitment and progress on implementing GenderTick™ recommendations. We also became a member of Diversity Works New Zealand, the national body for workplace diversity, equity and inclusion, and continued our work to increase diversity through a partnership with TupuToa to recruit Māori and Pasifika interns.

Our commitment to building a diverse and inclusive workplace includes meeting Public Service Kia Toipoto goals of making substantial progress towards closing gender, Māori, Pacific and ethnic pay gaps over the next three years.

As a result of our work during 2022-2023 we will be publishing a *Toka Tū Ake EQC Kia*

*Toipoto Pay Gap Action Plan* that shows a gender pay gap of 5.6 percent as at 1 July 2023 (2.1 percent below the public sector average of 7.7 percent).

We have also made significant improvement for Pacific Peoples, with a pay gap of 6.25 percent (compared to a public service average of 17.7 percent). While our pay gap for Māori (13.64 percent) and Asian (15.71 percent) have also reduced, they are still higher than the public sector averages of 6.6 percent and 12.4 percent respectively, however we expect these gaps will reduce year on year though our work to bring greater diversity to our workforce.

Toka Tū Ake EQC was also awarded Reservist Employer of the Year at the New Zealand Defence Tohu Awards in November 2022. This celebrated an aspect of our People Promise where we offer 20 paid special leave days for reserve and cadet members of the NZ Defence Force (NZDF), Fire and Emergency NZ (FENZ) and the National Emergency Management Agency (NEMA).

### **Prioritising safety and wellbeing**

Our people's safety and wellbeing is always front of mind, and through the year we had no significant health and safety issues. The nature of our working environment at Toka Tū Ake EQC means our place of work can include anywhere in New Zealand, and extends to how we engage and work with the insurers we partner with under our claims model. During 2022-2023 we continued to evolve and improve our health and safety programme, critical risk framework, physical security processes, and the development of our people through competency-based training as a vital part of moving our business performance forward in support of this model.

This work has included collaborating with insurers to share best practice in managing health, safety, security and wellbeing risks. This reflects our commitment to kotahitanga (a unified sense of purpose) and mahi ngā tahi (working together) in the execution of our respective duties in accordance with the Health and Safety at Work Act 2015.

A key focus of our health and safety work has been senior leadership team sponsorship of our health and safety critical risk programme to help promote our commitment to the ongoing wellbeing of our people. This programme supports our people to share knowledge with our insurer partners and others we work with, and ensures we are delivering business objectives safely and effectively throughout New Zealand across a range of environments.

### **Maturing our cultural capability**

We made significant progress over the year in our work to develop our Crown-Māori capability as an organisation, our workplace diversity and inclusion and cultural capability, and our partnerships with Māori in readiness and resilience.

Central to this has been the development of a Te Ao Māori Strategy to provide a strategic direction and priorities for Toka Tū Ake EQC over the next five-plus years through a Kaupapa Māori-based framework. Approved by our Board in February 2023, the strategy is centred in te ao Māori values, mātauranga and perspectives, and provides a culturally appropriate and authentic framework to deliver on our Crown-Māori ambitions and aspirations.

It sits alongside our Whāinga Amorangi plan that focuses on training and development for our people, and which saw us deliver training opportunities throughout the year in te reo, Te Tiriti and tikanga Māori across all levels of the organisation.

Our relationships with mana whenua are core to our commitment as a trusted and valued agency of the Crown as a Treaty partner in providing strengthened services and outcomes for Māori.

We continue to build these, and to support our people to uphold our tikanga with integrity and demonstrate our commitment to incorporate te ao Māori into our work through our actions, values, beliefs and communications. This includes practical tools and support such as Ngā Tikanga Paihere - a resource that provides guidance on the principles that guide our behaviour, use of te reo Māori and how we effectively engage with Māori in a range of specific settings. This resource also contains our Toka Tū Ake EQC waiata and other waiata we use on special occasions such as our mihi whakatau.

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

**Maranga ake rā e taku tau (e taku tau)**

**Te roimata, te aroha**

**Kei tō uma,**

**ko te pōtiki**

**Ko Rūaumoko e**

**Rū ana koe, rū ana koe**

**Āwhinatia rā, manaakitia rā**

**Hei tohu aroha**

**Kia tū tonu, kia tū kotahi**

**Ko te toka, toka tū ake.**

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

**Awaken, oh my love (my dear love)**

**Feel my tears, and my love**

**For in your bosom**

**Lies our youngest child Rūaumoko**

**And Rūaumoko, when you awaken**

**And when you shake and quiver**

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

**As an expression of our love for you**

**So stand strong, stand together**

**Toka Tū Ake.**

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

## Towards a data-driven organisation

Our data and digital capabilities are central to how we operate. We want a culture where everyone in the organisation understands and values the importance of data, and where data analytics and modelling are a primary factor in our decision-making.

During 2022-2023 we built on our digital transformation to date, further embedding and gaining value from the changes we have made as we move to the next phase of sustainable improvement.

Throughout this year we maintained a significant focus on ensuring we have the right capabilities and processes in place to use our data and information safely, securely, responsibly, and targeted to greatest value. Results include increased use across the organisation of business-enabling data insights, and a significant improvement in how data is used to ensure quality reporting that is easily accessible and impactful. In particular, our people are increasingly compiling single-source-of-truth reports, dashboards and analytics using Power BI as a best-practice business intelligence tool.

## Carbon Neutral Government Programme

Toka Tū Ake EQC is committed to meeting the requirements of the Carbon Neutral Government Programme. Our greenhouse gas emissions measurement (emissions data and calculations) has been independently verified by Toitū Envirocare and we are proudly a Toitū carbonreduce organisation, which means we are measuring, managing and reducing our emissions in accordance with Toitū requirements.

In line with Carbon Neutral Government Programme guidance, we have set a target to reduce our emissions by 21 percent by 2025 and 42 percent by 2030, using 2019-2020 as a baseline. As at 30 June 2023 we have reduced our emissions by 23 percent.

As with many other agencies we saw a significant drop in emissions year on year as a result of COVID-19 and its disruption of various high emissions activities such as travel. As a result, in 2020-2021 our emissions reduced by over half compared to our baseline.

Over the last two years we have worked to maintain as much of that reduction as possible post COVID. Initiatives such as reducing and electrifying our fleet of cars, supporting flexible and remote working, office space reduction and improvements through fit-outs, and staff education in support of reduced emissions have all successfully contributed to us achieving this goal.

However, in 2022-2023, our post-COVID return to normal business saw our emissions rise again, which had the impact of reducing the cuts made compared to our 2019-2020 baseline year in prior years. This was primarily because of increased travel, which included an increase in international travel aimed at reconnecting with our key international reinsurance partners. Air travel continues to be a core driver of our emissions, and we are finding ways to offset the carbon cost of maintaining these important relationships.

**Emissions by category (tonnes of CO<sup>2</sup> equivalents)**

	2019-2020 (baseline year)	2020-2021	2021-2022	2022-2023
Category One - Direct Emissions	31	18	10	5
Category Two - Indirect Emissions from Imported Energy	58	15	13	15
Category Three - Indirect Emissions from Transportation	316	206	152	307
Category Four - Indirect Emissions from Products and Services used by Organisation	24	21	20	26
Category Five - Indirect Emissions from Other Sources	0	0	0	0
Category Six - Indirect Emissions from Other Sources	0	0	0	0
<b>Total</b>	<b>429</b>	<b>260</b>	<b>195</b>	<b>353</b>

**Emissions by source (tonnes of CO<sup>2</sup> equivalents)**

	2019-2020	2020-2021	2021-2022	2022-2023
Air Travel	297	162	86	261
Mileage Claims	8	10	42	7
Working From Home		16	17	14
Wastewater	12	15	15	16
Electricity	59	15	13	15
Fleet (Petrol)	30	18	10	5
Accommodation	8	12	5	16
Waste	5	2	2	5
Water Supply	1	1	1	1
Electricity Transmission Loss	6	1	1	2
Taxis	1	5	1	4
Recycling		1	1	3
Rental Cars	1	1	>0	4
Fleet (Diesel)	1	1	>0	>0
<b>Total</b>	<b>429</b>	<b>260</b>	<b>195</b>	<b>353</b>
<b>2025 reduction target: 338.91</b>				

**Emissions intensity**

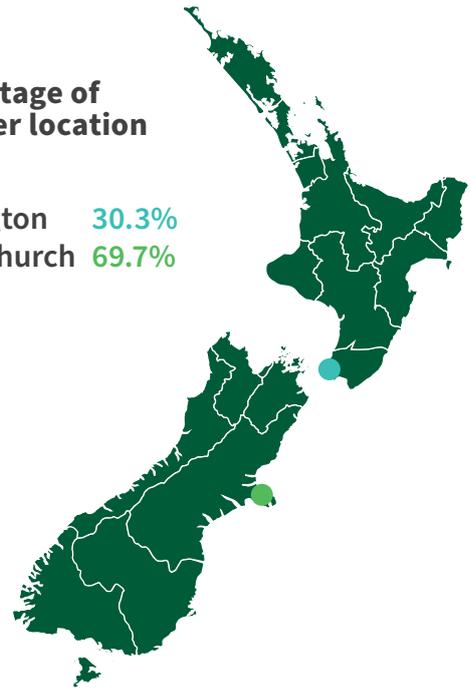
	2019-2020	2020-2021	2021-2022	2022-2023
Full time equivalent (FTE) staff <sup>27</sup>	394	307	314	316
Emissions (tonnes of CO <sup>2</sup> equivalents) per FTE	1.09	0.85	0.62	1.11

27 Emissions intensity is calculated by FTE rather than total number of employees.

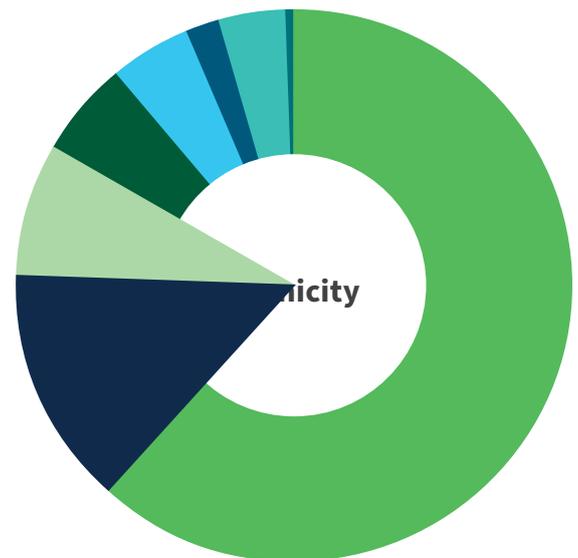
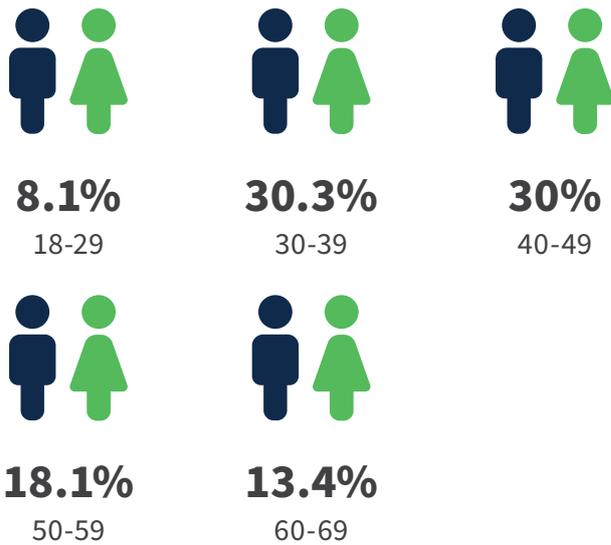


**Percentage of staff per location**

Wellington 30.3%  
Christchurch 69.7%



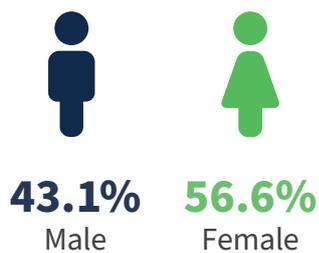
**Age range - years**



The average age of people working at Toka Tū Ake EQC is 44.

NZ European	61.9%
European	13.8%
Asian	7.8%
Māori	5.6%
Pasifika	4.7%
Indian	1.9%
Other	4.1%
Undisclosed	0.3%

**Gender**



**Executive Leadership Team**

2 7

**People Leaders**

32 47

## Governance and leadership

### The Board is the governing body of Toka Tū Ake EQC

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

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

The role of the Board is to:

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

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

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

The Board Chair is Chris Black, who took up the position on 1 July 2022 when his predecessor Mary-Jane Daly retired from the Board. During 2022-2023 we farewelled Emma Dobson from the Board as her term ended in February 2023. We also farewelled Jacqui Apiata, who was part of the Board from February 2022 until June 2023 as a Future Director under the Institute of Directors in New Zealand's Future Directors development programme. In May 2023 we welcomed our newest Board member, Andrea Brunner.

The profiles of the current members of the Board are on the next page.





### **Chris Black - Board Chair**

CA, PGDip Accounting, BSurv, MInstD

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

Term ends: 31 March 2025



### **Hon Ruth Dyson - Deputy Chair**

QSO

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

Term ends: 30 April 2026



### **Alastair Hercus**

BA (Hons), LLB, CMIInstD

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

Terms ends: 30 June 2025



### **Alister James**

QSO, LLB, MInstD

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

Term ends: 30 April 2024



### **Erica Seville**

PhD, BE (Hons), CMIInstD, Hon FBCI

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

Term ends: 30 June 2024



### **Fiona Wilson**

BSc, MSc, GradDipApplStats, CMIInstD

Fiona brings a focus on sustainable growth and business improvement with a deep understanding of the ability of data and technology to enable change. She has been responsible for leading successful change programmes and improving business resilience across organisations, ranging from privately held through to entire public health systems. Fiona has spent a good deal of her career in the public sector so is highly experienced working in complex businesses involving diverse stakeholder groups. She has held Chief Information Officer and Chief Executive Officer roles in Australia and New Zealand. As CEO of an analytics business, she has guided major organisations in public and private sectors to develop analytics capability, data governance maturity and programme delivery performance. With a background in medical research and statistics, Fiona is passionate about helping businesses make greater use of data and analytics to improve their processes, decision-making and overall business performance. Fiona joined the Toka Tū Ake EQC Board in March 2020.

Term ends: 31 August 2024



### **Scott Lewis**

BBS, FIAA, FNZSA, CMIInstD

Scott has more than 30 years' experience in the insurance industry in New Zealand and overseas. He has held senior management positions at Vero, Lumley and IAG, and has also worked in the public sector at Oranga Tamariki. Scott has a passion for helping to understand how modelling and analytics can provide meaningful insights to improve decision-making. He has expertise in capital management, reinsurance, pricing, data analytics and risk management. He has also worked on the Canterbury earthquakes claims response for a major insurer. Scott is a Fellow of the Institute of Actuaries of Australia and the NZ Society of Actuaries. He is currently President of the NZ Society of Actuaries. Scott joined the Toka Tū Ake EQC Board in March 2020 and is Chair of the Loss Modelling and Risk Financing Committee.

Term ends: 28 February 2026



### **Ziena Jalil**

MA (Hons), BCS, DipIntlTrade, MInstD

Ziena brings a rich experience as an accomplished business and public sector leader with a focus on delivering equity and opportunity for those with diverse cultures, abilities and experiences. A champion of customer and community centricity, Ziena has worked with some of New Zealand's largest businesses and organisations on their strategies, building their stakeholder relationships, reputations and revenue. She advocates for outcomes that make a difference, and is passionate about supporting the growth of women and young people from Māori, Pacific and ethnic communities. Ziena holds governance positions across public, private and charity sectors, including roles with Education New Zealand, DNA Design, Asia New Zealand Foundation, and the Cancer Society Auckland Northland. She has received several international awards for her work promoting New Zealand trade and education in Asia, where she was based for 10 years. Ziena joined the Toka Tū Ake EQC Board in July 2022.

Term ends: 30 June 2025



### **Andrea Brunner**

L.L.B, BA, MBA, ANZIIF (Snr Assoc) CIP, CFInstD

Andrea brings more than 20 years of senior executive experience primarily within financial services, including general and life and health insurance, and consumer banking. She has significant experience leading client-facing as well as corporate functions within financial services and brings specialist expertise in the areas of people and culture, marketing, communications, change management, customer experience, strategic partnerships and stakeholder management. Andrea has previously served on the ICNZ Employment and Education Committee, including five years as Chair. Andrea joined the Toka Tū Ake EQC Board in May 2023.

Term ends: 30 April 2026

## **Board committees**

There were three Board committees during 2022-2023:

- The Audit and Risk Committee supports the Board in overseeing risk and assurance activities. Alastair Hercus is the Chair. Other members on the committee are Ruth Dyson, Scott Lewis, Emma Dobson (up until 28 February 2023) and Fiona Wilson (effective 1 July 2023). The Board Chair (Chris Black) attends meetings ex officio.
- The People and Culture Board Committee supports the Board in delivering its responsibilities for people and culture, remuneration, health, safety, security and wellbeing. Erica Seville is the Chair. Other members on the committee are Alister James, Ziena Jalil, Fiona Wilson (up until 30 June 2023) and Andrea Brunner (effective 10 May 2023). The Board Chair (Chris Black) attends meetings ex officio.
- The Loss Modelling and Risk Financing Committee supports the Board in delivering its Risk Financing Strategy in relation to Reinsurance, the Natural Disaster Fund and the Crown risk appetite, and the modelling that underpins this. Scott Lewis is the Chair. Other members on the committee are Alastair Hercus, Erica Seville, Ruth Dyson, Emma Dobson (up to 28 February 2023) and Fiona Wilson (effective 1 July 2023). The Board Chair (Chris Black) attends meetings ex officio.

The table below sets out committees, members and attendance for 2022-2023. It is noteworthy that six of the 18 Board meetings were additional (and shorter in duration) to the originally planned core governance requirements, to support new initiatives such as our catastrophe bond issuance and other matters as required.

Board member	Board (18 meetings)	Audit and Risk Committee (8 meetings)	People and Culture Committee (4 meetings)	Loss Modelling and Risk Financing (10 meetings)
Chris Black (Board Chair)	17	7	3	9
Ruth Dyson (Deputy Chair, Board)	18	8		10
Alastair Hercus	18	8		8
Alister James	14		3	
Erica Seville	14		4	9
Fiona Wilson	15		4	
Scott Lewis	16	7		10
Ziena Jalil	14		4	
Emma Dobson (finished 28 February 2023)	8	6		
Andrea Brunner (started 10 May 2023)	4		1	
Jacqui Apiata (Future Director Programme; finished 30 June 2023)	6	3		

## The Tokā Tū Ake EQC Executive Leadership Team leads our organisation

The Executive Leadership Team's key roles are to:

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

The Chief Executive is accountable to the Board and reports to the Board Chair. Changes this year to the Executive Leadership Team were the appointment of: Saane Havea as Acting Head of Performance Reporting, taking up the position in November 2022 that was vacated by Hamish Wall, who moved into a new role as Strategic Advisor to the Chief Executive; Chris Chainey as Chief Financial Officer, taking up the position in December 2022 that was vacated by Fraser Gardiner; Michala Beacham as Acting Chief Strategy Officer, taking up the position in December 2022 that was vacated by Lars Piepke; and Catherine Taylor as Acting Chief People Officer (from August 2023) following the announcement in June 2023 of Chief People Officer Kate Atonievich's resignation.

As part of unifying our Readiness and Canterbury Claims operations into one Readiness and Recovery Group, Head of Canterbury Claims Bernadette McDougall moved into a newly created Head of Claim

Operations position, reporting to Chief Readiness and Recovery Officer Kate Tod (previously Chief Readiness Officer).

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

The current members of the Executive Leadership Team are:



**Tina Mitchell**  
Chief Executive



**Hamish Wall**  
Strategic Advisor to the  
Chief Executive



**Pip Andrews**  
Head of On-Solds



**Michala Beacham**  
Acting Chief Strategy  
Officer



**Chris Chainey**  
Chief Financial Officer



**Saane Havea**  
Acting Head of  
Performance and  
Reporting



**Rob Hodgson**  
Chief Data Officer



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



**Catherine Taylor**  
Acting Chief People  
Officer



**Kate Tod**  
Chief Readiness and  
Recovery Officer

**Governance forums**

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

**Managing risk**

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

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

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

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

Our risk management roles and responsibilities follow the internationally accepted ‘three lines of defence’ model. This gives people at Toka Tū Ake EQC primary responsibility for identifying and managing risks within their teams and ensuring risk management is an integral part of all their business activities. Toka Tū Ake EQC has an assurance programme that covers all aspects of our activities, including our new claims model.

Management engages regularly with our Board and the Audit and Risk Committee to identify risks and appropriate controls and actions required.

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

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

- promoting an organisational culture that encourages transparent identification and open discussion of risks (i.e. threats and opportunities)
- applying a consistent approach, using an agreed and widely understood method and language
- facilitating an appropriate level of monitoring, reporting and escalation to inform decision-making

- balancing cost and effectiveness, ensuring that improvements in controls are viable and cost effective given the expected benefits or outcomes, and focus on what matters most
- providing assurance that key risks are adequately managed and that we are able to plan for, rather than react to, risk
- dynamic and iterative responses to change, and tailored to the needs of Toka Tū Ake EQC
- facilitating continual improvement of the organisation
- incorporating audit and compliance disciplines as part of sound risk management.



# Financial statements

## Pūrongo pūtea





## Statement of responsibility

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

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

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

In the opinion of the Toka Tū Ake EQC Board, the annual financial statements and the statement of performance for the financial year ended 30 June 2023 fairly reflect the financial position and operations of Toka Tū Ake EQC.

Signed on behalf of the Toka Tū Ake EQC Board:



**Chris Black**  
Board Chair  
20 October 20223



**Alastair Hercus**  
Commissioner  
20 October 20223



## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF TOKA TŪ AKE EQC - THE EARTHQUAKE COMMISSION'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2023

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

#### Opinion

We have audited:

- the financial statements of the Commission on pages 75 to 125, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies; and
- the performance information which reports against the Commission's statement of performance expectations for the year ended 30 June 2023 on pages 24 to 49.

In our opinion:

- the financial statements of the Commission:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2023; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the Commission's performance information for the year ended 30 June 2023:
  - presents fairly, in all material respects, for each class of reportable outputs:
    - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
    - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 20 October 2023. This is the date at which our opinion is expressed.

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



statements and the performance information, we comment on other information, and we explain our independence.

### **Basis for our opinion**

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

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

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

### **Emphasis of Matters**

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

#### ***Deficiency Funding Deed between the Crown and the Commission***

Notes 1 and 12 on pages 80 and 107 to 108 indicate that at 30 June 2023, the Commission's total liabilities exceeded its total assets, after accounting for reinsurance. The Crown, in terms of its obligation under Section 16 of the Earthquake Commission Act 1993, shall provide funding by way of a grant or advance, as may be necessary, if the assets of the Commission are not sufficient to meet liabilities. The Crown has not provided any funds as a grant or advances in the 2022/23 financial year.

#### ***Uncertainties associated with the outstanding claims liability***

Note 2 on pages 82 to 95 describes the inherent uncertainties involved in estimating the outstanding claims liability and the related reinsurance receivable and how these have been affected by the Canterbury Earthquake plus the inherent uncertainties involved in estimating the outstanding claims liability and how these have been affected by the North Island weather events.

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

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

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

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



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

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

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

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

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

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

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



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

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

Our responsibilities arise from the Public Audit Act 2001.

#### **Other information**

The Board of Commissioners is responsible for the other information. The other information comprises the information included on pages 1 to 23, 50 to 70 and 126 to 128 but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

#### **Independence**

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

In addition to the audit we have carried out an agreed upon procedures engagement, which is compatible with those independence requirements. Other than the audit and this engagement, we have no relationship with, or interests, in the Commission.

A handwritten signature in dark blue ink, appearing to read 'D. Borrie', with a horizontal line extending to the right.

David Borrie  
Ernst & Young  
Chartered Accountants  
On behalf of the Auditor-General  
Wellington, New Zealand

## Statement of comprehensive revenue and expense

### For the year ended 30 June 2023

	Note	Actual 2023 \$(000)	Unaudited budget 2023 \$(000)	Actual 2022 \$(000)
<b>Earned premiums</b>				
Premiums	3	611,882	597,288	528,048
Outward reinsurance premium expense		(286,244)	(290,416)	(217,289)
<b>Net earned premium revenue</b>		<b>325,638</b>	<b>306,872</b>	<b>310,759</b>
<b>Underwriting movements</b>				
Reinsurance and other recoveries	6	44,508	1,712	19,121
Claims expense	7	(835,232)	(31,654)	(279,716)
Movement in unexpired risk liability	18	(12,764)	-	-
<b>Total underwriting movements</b>		<b>(803,488)</b>	<b>(29,942)</b>	<b>(260,595)</b>
<b>(Deficit)/surplus from insurance activities</b>		<b>(477,850)</b>	<b>276,930</b>	<b>50,164</b>
<b>Other operating revenue</b>				
Other revenue	4	9,902	8,754	11,418
<b>Total other operating revenue</b>		<b>9,902</b>	<b>8,754</b>	<b>11,418</b>
<b>Other operating expense</b>				
Recovery		(22,534)	(24,993)	(34,879)
Resilience		(35,069)	(35,060)	(33,938)
Risk financing		(6,125)	(7,562)	(7,697)
Readiness		(21,652)	(21,491)	(24,556)
Loss on disposal		(76)	-	(9,916)
Other expenses	4	(9,307)	(8,355)	(10,879)
<b>Total other operating expense</b>	<b>8</b>	<b>(94,763)</b>	<b>(97,461)</b>	<b>(121,865)</b>
<b>Investment activities</b>				
Investment revenue	9	4,561	3,022	1,343
Interest on cash balances		7,954	-	1,128
<b>Total revenue from investment activities</b>		<b>12,515</b>	<b>3,022</b>	<b>2,471</b>
Crown underwriting fee	20	(10,000)	(10,000)	(10,000)
<b>Net (deficit)/surplus</b>		<b>(560,196)</b>	<b>181,245</b>	<b>(67,813)</b>
<b>Total comprehensive (expense)/revenue for the year</b>		<b>(560,196)</b>	<b>181,245</b>	<b>(67,813)</b>

The accompanying notes form part of these financial statements.

## Statement of changes in equity

### For the year ended 30 June 2023

	Note	Actual 2023 \$(000)	Unaudited budget 2023 \$(000)	Actual 2022 \$(000)
<b>Equity</b>				
Capitalised reserves	12	1,500,000	1,500,000	1,500,000
Retained earnings				
Opening balance at 1 July (deficit)		(1,792,634)	(1,686,928)	(1,724,821)
Total comprehensive (expense)/revenue for the year		(560,196)	181,245	(67,813)
<b>Closing balance at 30 June (deficit)</b>		<b>(2,352,830)</b>	<b>(1,505,683)</b>	<b>(1,792,634)</b>
<b>Closing balance as at 30 June</b>		<b>(852,830)</b>	<b>(5,683)</b>	<b>(292,634)</b>

The accompanying notes form part of these financial statements.

## Statement of financial position

### As at 30 June 2023

	Note	Actual 2023 \$(000)	Unaudited budget 2023 \$(000)	Actual 2022 \$(000)
<b>Equity</b>				
Capitalised reserves	12	1,500,000	1,500,000	1,500,000
Retained earnings		(2,352,830)	(1,505,683)	(1,792,634)
<b>Total equity</b>		<b>(852,830)</b>	<b>(5,683)</b>	<b>(292,634)</b>
<b>Assets</b>				
Cash and cash equivalents		192,189	185,281	107,574
Premiums receivable		161,999	153,205	103,786
Other receivables	5	30,508	84,664	30,712
Outstanding reinsurance and other recoveries	6	163,814	107,563	148,121
GST receivable		4,956	-	-
Investments	13	160,775	-	150,840
Prepayments		2,241	1,733	2,249
Outward reinsurance expense asset		68,227	58,333	45,767
Property, plant and equipment	14	1,402	2,189	1,824
Intangible assets	15	9,717	7,023	9,178
<b>Total assets</b>		<b>795,828</b>	<b>599,991</b>	<b>600,051</b>
<b>Liabilities</b>				
Trade and other payables	16	(28,349)	(27,244)	(21,728)
GST payable		-	-	(3,065)
Finance lease liability	10	(40)	-	(64)
Short-term liabilities	17	(3,143)	(2,776)	(4,584)
Outstanding claims liability	2	(1,184,510)	(170,996)	(586,933)
Unearned premium liability	3	(419,852)	(404,658)	(276,311)
Unexpired risk liability	18	(12,764)	-	-
<b>Total liabilities</b>		<b>(1,648,658)</b>	<b>(605,674)</b>	<b>(892,685)</b>
<b>Net liabilities*</b>		<b>(852,830)</b>	<b>(5,683)</b>	<b>(292,634)</b>

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

The accompanying notes form part of these financial statements.

## Statement of cash flows

### For the year ended 30 June 2023

	Note	Actual 2023 \$(000)	Unaudited budget 2023 \$(000)	Actual 2022 \$(000)
<b>Cash flows from operating activities</b>				
<i>Cash was provided from:</i>				
Interest		12,080	3,022	1,634
Premiums		697,211	545,806	530,092
Reinsurance and other recoveries		32,829	39,152	48,215
On-Sold agreement receipts		107,282	187,762	96,491
Other revenue		2,591	1,089	409
<i>Cash was applied to:</i>				
Outward reinsurance		(305,880)	(301,250)	(278,372)
Crown underwriting fee		(10,000)	(10,000)	(20,000)
Claims settlements and handling costs		(239,462)	(160,474)	(252,106)
Employees and other operating expenses		(59,236)	(66,542)	(52,215)
GeoNet operating expenses		(11,900)	(11,986)	(11,983)
Research grants		(6,670)	(7,124)	(7,151)
Net GST		(8,022)	8,059	8,103
On-sold agreement costs		(111,887)	(237,451)	(104,625)
Southern Response agreement costs		(1,092)	(1,134)	(952)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>97,844</b>	<b>(11,071)</b>	<b>(42,460)</b>
<b>Cash flows from investing activities</b>				
<i>Cash was provided to:</i>				
Sale of investments		380,000		150,000
<i>Cash was applied to:</i>				
Purchase of property, plant and equipment	14	(414)	(990)	(637)
Purchase of intangibles	15	(3,284)	(500)	-
Purchase of investments		(389,500)	-	(300,000)
<b>Net cash outflow from investing activities</b>		<b>(13,198)</b>	<b>(1,490)</b>	<b>(150,637)</b>
<b>Cash flows from financing activities</b>				
<i>Cash was applied to:</i>				
Interest on finance lease liabilities		(7)	(7)	(9)
Payment of finance lease expense		(24)	(24)	(22)
<b>Net cash outflow from financing activities</b>		<b>(31)</b>	<b>(31)</b>	<b>(31)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>84,615</b>	<b>(12,592)</b>	<b>(193,128)</b>
Add opening cash and cash equivalents		107,574	197,873	300,702
<b>Closing cash and cash equivalents</b>		<b>192,189</b>	<b>185,281</b>	<b>107,574</b>

The accompanying notes form part of these financial statements.

## Statement of cash flows (continued)

### For the year ended 30 June 2023

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

	Actual 2023 \$(000)	Unaudited budget 2023 \$(000)	Actual 2022 \$(000)
<b>(Deficit)/surplus for the year</b>	<b>(560,196)</b>	<b>181,245</b>	<b>(67,813)</b>
<b>Add non-cash items:</b>			
Depreciation and amortisation	3,506	3,966	9,057
Loss/(Gain) on disposal of property, plant and equipment	76	-	9,916
Impairment of WIP	-	-	218
Provisions	82	-	-
Deferred lease incentive	(100)	(425)	(525)
Movement in unexpired risk liability	12,764	-	-
<b>Total non-cash items</b>	<b>16,328</b>	<b>3,541</b>	<b>18,666</b>
<b>Less items classified as financing activities</b>			
Interest expense and amortisation of lease liability	7	-	(30)
<b>Total items classified as financing activities</b>	<b>7</b>	<b>-</b>	<b>(30)</b>
<b>Add/(less) movements in statement of financial position items:</b>			
Premiums receivable	(58,213)	(51,482)	(1,499)
Reinsurance assets & other recoveries	(38,142)	37,441	(12,636)
Other receivables	(232)	(50,554)	(13,443)
Prepayments	8	8,059	35
Trade and other payables	6,721	(9,958)	(34,423)
GST (payable)/receivable	(8,021)	(868)	8,103
Finance lease liability	-	(24)	(22)
Short-term liabilities	(1,533)	-	618
Outstanding claims liability	597,577	(255,002)	56,440
Unearned premium liability	143,541	126,532	3,544
<b>Net movements in working capital items</b>	<b>641,706</b>	<b>(195,857)</b>	<b>6,717</b>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>97,844</b>	<b>(11,071)</b>	<b>(42,460)</b>

The accompanying notes form part of these financial statements.

## Notes to the financial statements

### 1. Accounting policies

#### Reporting entity

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

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

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

The reporting period covered by these financial statements is the year ended 30 June 2023. These financial statements were approved by the Board on 20 October 2023.

#### Basis of preparation

##### Statement of compliance

The financial statements of Toka Tū Ake EQC have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

The financial statements comply with Public Benefit Entity Standards ('PBE Standards') as appropriate for Tier 1 public benefit entities.

#### Going concern

Actuarial estimates of claims liabilities indicate that total liabilities exceed its assets after accounting for reinsurance as at 30 June 2023. The Crown has entered into a Deficiency Funding Deed with Toka Tū Ake EQC to meet the Crown's obligation under section 16 of the Act to ensure that Toka Tū Ake EQC can meet its liabilities as they fall due.

The Deed was signed on 18 September 2018 for a term of 12 months and was extended annually, with expiry now 27 August 2024. Section 16 states: "If the assets of the Commission (including the money in the Fund) are not sufficient to meet the liabilities of the Commission, the Minister shall, without further appropriation than this section, provide to the Commission out of public money such sums by way of grant or advance as may be necessary to meet the deficiency upon such terms and conditions as the Minister determines".

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

#### Measurement base

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

\* From 1 July 2022, the Earthquake Commission adopted a new name Toka Tū Ake EQC as a transition to becoming Toka Tū Ake Natural Hazards Commission from 1 July 2024. In the interim, we will refer to ourselves as Toka Tū Ake EQC.

### **Functional and presentational currency**

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

### **Accounting judgements and major sources of estimation**

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

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

The actuarial judgements and estimations involved in measuring insurance liabilities and reinsurance recoveries are key areas of estimation where the assumptions made may have a significant effect on the financial statements, with a significant risk of material adjustment in future periods. This is discussed in Note 2.

### **Significant accounting policies**

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

### **Foreign currency**

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

### **Taxation**

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

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

### **Goods and Services Tax (GST)**

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable it is recognised as part of the related asset or expense.

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

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

## Comparatives

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

## Budgets

The unaudited budget figures reported in these financial statements are the forecast financial information included in the *2022-23 Statement of Performance Expectations*. Major variances to budget are explained in Note 11.

## Standards issued but not yet effective and not early adopted

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to Toka Tū Ake EQC are:

- The XRB issued 2022 Omnibus Amendments to PBE Standards in June 2022. This set of amendments covers changes to disclosures relating to financial instruments, leases, impairment of both cash and non-cash generating assets, provisions, contingent liabilities and assets, and property, plant and equipment. It is effective for reporting periods beginning on or after 1 January 2023. Toka Tū Ake EQC has not yet determined how application of these amendments will affect future financial statements.
- The XRB issued PBE IFRS 17 Insurance Contracts in June 2023. This replaces PBE IFRS 4 Insurance Contracts. It is effective for reporting periods beginning on or after 1 January 2026. Toka Tū Ake EQC has not yet completed its impact assessment of this new standard.

- The XRB issued Amendments to PBE IPSAS1 - Disclosure of Fees for Audit Firms' Services in May 2023. It is effective for reporting periods beginning on or after 1 January 2024.

## Standards not yet issued

### Leases

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

## 2. Insurance liabilities

Toka Tū Ake EQC provides cover to all New Zealand homeowners who take out fire policies on their home for the following types of hazard: earthquakes, natural landslip, volcanic eruption, hydrothermal activity, tsunami and flood and storm damage to residential land, and fires resulting from these events. Due to New Zealand's high level of insurance penetration, and the mandatory nature of EQCover, Toka Tū Ake EQC has a balanced, diversified portfolio covering the vast majority of New Zealand homes.

Toka Tū Ake EQC has an extensive reinsurance programme to protect the portfolio, and has an uncapped guarantee from the Crown, should retained funds and reinsurance prove inadequate.

At balance date, Toka Tū Ake EQC recognises a liability in respect of outstanding claims, including amounts in relation to claims reported but not yet paid, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and costs, including claims handling expenses.

Toka Tū Ake EQC also assesses the adequacy of the unearned premium liability and calculates any resulting unexpired risk liability. Toka Tū Ake EQC engages independent professional actuaries to undertake a valuation of outstanding claims and an assessment of the unexpired risk liability on a six-monthly basis.

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

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

### **Actuarial valuation as at 30 June 2023**

The most recent actuarial valuation report was prepared by Craig Lough and Jeremy Holmes of Melville Jessup Weaver (MJW), who are both Fellows of the New Zealand Society of Actuaries. Their report was commissioned to provide estimates of the outstanding claims liability; reinsurance and other recoveries; and premium liabilities, including the unexpired risk liability.

MJW also performed actuarial valuations of the outstanding claims liability for the financial years from 30 June 2011 to 30 June 2022. The effective date of the valuation report is 30 June 2023. The actuaries considered that overall the information and data supplied to them was adequate and sufficient for the purpose of the valuation. The outstanding claims liability, comprising all unpaid claims and claims handling expenses related to claims incurred prior to the end of the reporting period, was valued in accordance with New Zealand Society of Actuaries Professional Standard No.30 – Valuations of General Insurance Claims, and PBE IFRS 4 - Insurance Contracts.

To determine the outstanding claims liability, the actuaries needed to develop a range of assumptions about the eventual cost of currently open claims and the incidence of reopened claims in the future. To do this, they have analysed past payment and settlement patterns in Toka Tū Ake EQC claims data, including how these have changed over time, and discussed with management and claims staff how these patterns are evolving and the drivers of changes.

The final claims assumptions adopted are determined by the actuaries using their professional judgement.

Management provides information on current and short-term claims handling expenses, which the actuaries then project out in line with the expected level of claims in force in future periods.

The actuaries projected the ultimate claims costs then deducted the payments made in relation to those claims on or before 30 June 2023 to arrive at the outstanding claims liability. The calculations are performed by event and claim type (land claims or dwelling claims and claims handling expenses). As at 30 June 2023 three separate models were used, one to estimate the Canterbury earthquake sequence liabilities, another to model Kaikōura liabilities, and one to estimate liabilities from the Upper North Island weather events and all other claims (known as 'BAU').

The actuaries have used a payments per claim finalised approach to estimate the outstanding claims liabilities for the Canterbury earthquake sequence. All costs are attributed or apportioned to one of five identified earthquakes or groups of earthquakes, as the Toka Tū Ake EQC cap reinstates for each event. Toka Tū Ake EQC has been able to claim against its reinsurance for the Darfield and Lyttelton events. A direct allocation to each earthquake was not always possible, as properties may not have been assessed between events. A number of mathematical approximations have been developed over time to allocate costs when the actual event cause is unclear.

For the Kaikōura event a deterministic model was used to calculate potential future costs to Toka Tū Ake EQC for remaining claims. For currently open

claims the future cost was determined based on the case estimates. For reopened claims, a number of future reopened claims were allowed for and a cost per reopened unit was modelled. A stochastic model was used to estimate variability around the estimated future cost.

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

For the Upper North Island weather events, the models project the remaining number of claims yet to be reported, the finalisation pattern for current and future claims and the average cost per claim finalised. The projection of the claim numbers is split between land claims and building claims. The average claim size projections as well as settlements and fees are also split between land and building claims.

The outstanding claims liability is recognised at balance date as the central estimate of the present value of the expected future payments for claims incurred to balance date, plus an additional risk margin to allow for the inherent uncertainty in the central estimate. The expected future payments include those in relation to claims reported but not yet paid, incurred but not reported (IBNR), incurred but not enough reported (IBNER) and claims handling costs. The risk margin is set to achieve a desired probability of sufficiency, based on the actuarial modelling.

The Toka Tū Ake EQC Board has chosen to adopt a risk margin of 85% (2022: 85%) probability of sufficiency (i.e. there is an 85% probability that the net provision will

ultimately prove to be adequate to meet the liabilities from events which have occurred as at 30 June 2023, and a 15% chance that it will be insufficient).

### **Changes to the Act affecting the outstanding claims liability**

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

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

From 1 July 2019 the EQC Amendment Bill also saw the removal of the \$20,000 EQCover for contents and the cap on residential building increase from \$100,000 plus GST to \$150,000 plus GST.

From 1 October 2022 the cap on residential building cover increased from \$150,000 plus GST to \$300,000 plus GST. Both cap increases come into effect across a year at the homeowner's next policy renewal date.

### **Valuation results outstanding claims liability and risk margin**

On a net of reinsurance basis, the outstanding claims liability including risk margin, has increased to \$1,050 million as at 30 June 2023 (2022: \$439 million). This increase is largely due to the significant Upper North Island weather events that occurred in January and February 2023.

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

The level of uncertainty is reflected in the overall value of the risk margin as a proportion of the net outstanding claims liability (the liability after accounting for reinsurance recoveries and discounting). This has increased to 37% in 2023, from 24% in 2022. In absolute terms, the 2023 risk margin increased to \$281 million from \$84 million in 2022. The increase in the risk margin is due to the uncertainty in the outstanding claims liability for the Upper North Island weather events.

The specific issues related to each part of the liability are discussed in more detail in the related sections below.

## Progress with the 2010-2011 Canterbury earthquake sequence

During the 2023 financial year Toka Tū Ake EQC continued to settle reopened claims arising from the Canterbury earthquake sequence. Although it is now more than 12 years since the Canterbury earthquake sequence began, there remains a level of uncertainty associated with the valuation of the outstanding claims liability.

Due to the ongoing contribution from reinsurance, numbers for the Canterbury earthquake sequence in this note are presented either on a gross basis, reflecting the movement in the outstanding claims liability, or on a net basis which includes any recoveries from reinsurance and reflects the impact on the Statement of Comprehensive Revenue and Expense.

The central estimate of the gross ultimate cost of the 2010-2011 Canterbury earthquake sequence increased by \$42 million to \$12,284 million in the 2023 financial year. This was driven by a \$32 million increase in the estimated total buildings claims costs, an \$11 million increase in claims handling expenses and a \$1 million decrease in the estimated land claims costs. Expected ultimate reinsurance recoveries have increased by \$23 million.

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

### Canterbury buildings claims liability

The focus of the Canterbury programme is on the enduring settlement of reopened claims.

There are a number of reasons why a claim may be reopened for investigation, including missed damage, poor workmanship, faulty or inappropriate materials, or inappropriate or poorly lasting repairs. As at 30 June 2023 there were approximately 1,200 reopened claims outstanding (excluding claims being managed under the Crown's On-sold programme).

During the 2023 financial year Toka Tū Ake EQC increased the gross central estimate ultimate expense for building claims by \$32 million. After allowing for reinsurance and other movements, the net impact across the year is an increase in the net ultimate claims including claims handling expense (CHE) of \$19 million.

The main elements driving the change in the liability are:

- increases to the assumed number of future reopened claims and the duration over which they will occur
- increases in claim handling expenses allowances, reflecting the increased workflow projections
- provision for On-sold homeowners for costs not covered by the On-sold Programme (see below).

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

One further insurer has approached Toka Tū Ake EQC in relation to the wash-up of claims costs for settled Canterbury claims, following finalisation agreements with the four largest private insurers in 2021.

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

The Crown On-Sold support package will pay for the over-cap portion of the required repairs. A range of associated costs, including the undercap portion of the claim, falls to Toka Tū Ake EQC. As this group of claims is now fairly well understood and as at the balance date there is no further envisaged liability arising to Toka Tū Ake EQC from the Crown On-Sold programme.

### **Canterbury land claims liability**

The series of earthquakes Canterbury experienced from September 2010 caused several types of land damage. As at 30 June 2023 Toka Tū Ake EQC has completed all land settlement claims. The central estimate of the gross ultimate land claims costs decreased by \$1 million to \$578 million in the 2023 financial year. As at 30 June 2023 the estimated gross outstanding claims liability is \$nil.

### **Reinsurance recoveries**

Toka Tū Ake EQC continues to draw on reinsurance in respect of the 2010 Darfield event.

The ultimate reinsurance recovery has been estimated taking into account currently open claims, the modelled scenarios for future reopened claims, reinsurable claims handling expenses, and the structure and amount of the remaining reinsurance cover. In approximately 26% of modelled scenarios, Toka Tū Ake EQC will reach the limit of the available reinsurance. Claims on Toka Tū Ake EQC reinsurance may be subject to audit by reinsurers prior to payment.

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

### **Canterbury claims handling expenses liability**

In working to resolve the outstanding Canterbury earthquake sequence claims, Toka Tū Ake EQC incurs claims handling expenses including personnel, technology and professional expertise costs. As at 30 June 2023, Toka Tū Ake EQC has revised its estimate of the total claims handling expenses that may be required to settle ongoing reopened claims.

The increase in the expected timeframe and number of reopening claims has resulted in an increase of \$11 million to the gross ultimate claims handling expenses (\$7 million on a net of reinsurance basis), with the ultimate claims handling expenses now estimated to be \$1,803 million, an increase from \$1,792 million at 30 June 2022. As at 30 June 2023 \$1,727 million has been paid. The provision for claims handling costs has decreased by \$10 million to \$76 million as at 30 June 2023.

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

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

	Assumption*	How determined	Sensitivity	Impact on net OCL**
<b>Claims before closure:</b>				
Average claim size	40,000	Based on recent experience.	+/- \$1,000	+/- \$2m
Percentage non-nil payment each month	2.6% per month		+/- 1%	+/- \$3m
<b>Claims upon closing:</b>				
Average claim size	23,000	Based on recent experience.	+/- \$1,000	+/- \$10m
Percentage non-nil payment	37%		+/- 1%	+/- \$6m
<b>Reopen rate</b>	10.5% reopen during first month after closing	Based on recent experience. Dependent on time since last closure.	+/- 10%	+\$49m, -\$44m
<b>Closure rate</b>	42% during first month after reopening	Based on recent experience. Dependent on time since last reopen.	+/- 10%	-\$14m, +\$19m

\* All assumptions are based on recent experience.

\*\* Outstanding claims liabilities.

### **Progress with the November 2016 Kaikōura earthquake**

The central estimate ultimate cost of the earthquake is \$673 million as at 30 June 2023, an increase of \$5 million compared to 30 June 2022. To date payments of \$666 million (including claims handling expenses) have been made, leaving an outstanding central estimate claims expense of \$7 million. There is an additional \$3 million risk margin associated with the event as at 30 June 2023 (2022: \$5 million). The primary driver of the increase is a change in the model assumptions for reopened claims.

### **2023 Upper North Island weather events**

During the first quarter of the 2023 calendar year, there were two significant weather events in the Upper North Island. The first event began on the afternoon of Friday 27 January 2023 and primarily affected Auckland properties. This is referred to as the Auckland Anniversary Floods.

The second event was Cyclone Gabrielle which predominantly affected the east coast areas of Gisborne and Hawke's Bay. This event occurred around 12 February 2023. These events are collectively referred to as the Upper North Island weather events.

Toka Tū Ake EQC does not currently have loss models for weather events, so there is significant uncertainty regarding the outstanding claims liability, in particular the cost of claims and the extent to which land damage has caused building damage. There is also some uncertainty regarding the ultimate number of claims arising from these events.

As at 30 June 2023 the central estimate ultimate cost of the Upper North Island weather events is \$486 million. To date payments of \$8 million (including claims handling expenses) have been made, leaving an outstanding central estimate claims expense of \$478 million. Given the significant uncertainty of the event, an additional risk margin of \$203 million is included.

## Summary of key assumptions for future payments arising from the Upper North Island weather events

Item	Auckland Anniversary floods			Cyclone Gabrielle		
	Assumption	Sensitivity	Impact on net OCL	Assumption	Sensitivity	Impact on net OCL
Average claim size	Starting at \$30,000 for both land and building claims	+/- \$5,000	+/- \$35m	Starting at \$30,000 for land claims and \$36,000 for building claims	+/- \$5,000	+/- \$29m
Average fee size	Starting at \$6,000 for land claims and \$2,000 for building claims	+/- \$1,000	+/- \$7m	Starting at \$6,000 for land claims and \$2,000 for building claims	+/- \$1,000	+/- \$6m
Maximum number of claims	7,017 maximum number of land claims	+/- 10%	+/- \$15m	6,172 maximum number of land claims	+/- 10%	+/- \$13m

## Economic assumptions used in the actuarial valuation

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

	2023	2022
Claims inflation rate per annum	6.9% short term decreasing to 3.0% longer term	9.1% short term decreasing to 3.2% longer term
Discount rate per annum	4.13% to 5.53%	2.60% to 4.04%

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

	2023	2022
Weighted average term to settlement	1.40 years	1.89 years
Claims handling expenses as a percentage of claims paid	15.2%	15.3%

## Processes used to determine economic assumptions

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

**Discount rate:** Projected cash flows are discounted for the time value of money using the Treasury's published discount rates as at 30 June 2023 and 30 June 2022.

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

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

## Sensitivity of economic assumptions

The sensitivity analysis below shows the potential impact of changes in the key economic assumptions on the value of the net outstanding claims liability and on Statement of Comprehensive Revenue and Expense. For example, increasing the claims discount rate by 1.0% results in a decrease to the claims liability of \$14 million.

Assumption	Movements in variable	Impact on net OCL	
		2023 \$(m)	2022 \$(m)
Claims inflation rate	+1.0%	+10.1	+8.0
	-1.0%	-9.6	-7.6
Claims inflation rate	+5.0%	+55.4	+57.5
	-5.0%	n/a	-45.7
Discount rate	+1.0%	-13.5	-9.9
	-1.0%	+14.1	+10.4

## Unexpired risk reserve

Premium liabilities are an estimate of the total value of net liabilities associated with the run-off of the unexpired risks as at 30 June 2023. Premium liabilities comprise several components:

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

The estimate is set at a 75% Probability of Adequacy (PoA) and discounted for the time value of money.

If the premium liabilities exceed the unearned premium reserve (UPR), an additional unexpired risk reserve is required to make up the extent of the shortfall. As at 30 June 2023 the UPR was \$420 million, which is less than the premium liabilities of \$433 million (at 75% PoA). Therefore, an additional unexpired risk reserve of \$13 million is required.

## Outstanding claims liability

	<b>Actual 2023 \$(000)</b>	<b>Actual 2022 \$(000)</b>
Central estimate of outstanding claims liability	(892,697)	(465,036)
Claims handling expenses	(92,766)	(86,845)
Risk margin	(281,044)	(84,264)
<b>Gross outstanding claims liability</b>	<b>(1,266,507)</b>	<b>(636,145)</b>
Discounting	81,997	49,212
<b>Discounted outstanding claims liability</b>	<b>(1,184,510)</b>	<b>(586,933)</b>
<b>Outstanding claims liability</b>	<b>(1,184,510)</b>	<b>(586,933)</b>
Current	(558,042)	(181,193)
Non-current	(626,468)	(405,741)
	<b>(1,184,510)</b>	<b>(586,933)</b>
<b>Reconciliation of movement in outstanding claims liability</b>		
Outstanding claims liability at 1 July	(586,933)	(530,494)
Claims expense	(835,232)	(279,716)
Claims payments during the year	239,462	252,106
Claims handling expense in trade and other payables	(1,807)	(28,829)
<b>Outstanding claims liability at 30 June</b>	<b>(1,184,510)</b>	<b>(586,933)</b>

The outstanding claims liability, net of reinsurance, within the Statement of Financial Position is \$1,021 million. This is different to the \$1,050 million reported within the actuarial valuation above due to the timing of reinsurance receipts at year-end.

## **Development of claims for events**

The following table shows the accumulation of the outstanding claims liability relative to the current estimate of ultimate claims expense. This is in relation to the 2010-2011 Canterbury earthquake sequence occurring since 4 September 2010 and the 2023 Upper North Island weather events in addition to the costs incurred in other events.

There has been no material accumulated outstanding claims liability relative to the current estimate of ultimate claims expense on the years not shown in the table below. This year, the 2016 Kaikōura earthquake event has been included within the other events rather than shown separately as in prior years.

<b>2023</b>				
<b>2010-2011 Canterbury earthquake sequence ultimate claims expense estimate</b>	<b>Actual 2023 \$('000)</b>	<b>Actual 2010 \$('000)</b>	<b>Actual 2011 \$('000)</b>	<b>Actual Total \$('000)</b>
At end of incident year	-	(611,000)	(11,711,529)	n/a
One year later	-	(893,567)	(11,594,000)	n/a
Two years later	-	(781,034)	(11,121,971)	n/a
Three years later	-	(442,947)	(10,965,420)	n/a
Four years later	-	(455,293)	(10,805,614)	n/a
Five years later	-	(417,165)	(10,823,437)	n/a
Six years later	-	(435,175)	(10,316,320)	n/a
Seven years later	-	(421,149)	(10,609,302)	n/a
Eight years later	-	(457,557)	(10,986,273)	n/a
Nine years later	-	(459,291)	(11,383,580)	n/a
Ten years later	-	(470,831)	(11,488,944)	n/a
Eleven years later	-	(474,927)	(11,771,346)	n/a
Twelve years later		n/a	(11,809,477)	n/a
<b>Current estimate of ultimate claims expense</b>	<b>-</b>	<b>(474,951)</b>	<b>(11,809,477)</b>	<b>(12,284,428)</b>
Cumulative payments	-	449,459	11,420,899	11,870,358
<b>Outstanding claims liability (undiscounted)</b>	<b>-</b>	<b>(25,492)</b>	<b>(388,578)</b>	<b>(414,070)</b>
Discount to present value	-	3,086	47,414	50,500
<b>Outstanding claims liability (discounted)</b>	<b>-</b>	<b>(22,406)</b>	<b>(341,164)</b>	<b>(363,570)</b>
2010-2011 Canterbury event risk margin				(49,579)
<b>2023 Upper North Island weather events ultimate claims expense estimate</b>				
At end of incident year	(486,036)	-	-	n/a
<b>Current estimate of ultimate claims expense</b>	<b>(486,036)</b>	<b>-</b>	<b>-</b>	<b>(486,036)</b>
Cumulative payments	7,751	-	-	7,751
<b>Outstanding claims liability (undiscounted)</b>	<b>(478,285)</b>	<b>-</b>	<b>-</b>	<b>(478,285)</b>
Discount to present value	28,634	-	-	28,634
<b>Outstanding claims liability (discounted)</b>	<b>(449,651)</b>	<b>-</b>	<b>-</b>	<b>(449,651)</b>
2023 Upper North Island event risk margin				(202,514)
<b>Other events</b>				
Other claims (expected to be settled within a year)				(90,245)
Other risk margin				(28,951)
<b>Outstanding claims liability (85% probability of adequacy, discounted)</b>				<b>(1,184,510)</b>

<b>2022</b>			
<b>2010-2011 Canterbury earthquake sequence ultimate claims expense estimate</b>	<b>Actual 2012 \$(000)</b>	<b>Actual 2011 \$(000)</b>	<b>Actual Total \$(000)</b>
At end of incident year	(611,000)	(11,711,529)	n/a
One year later	(893,567)	(11,594,000)	n/a
Two years later	(781,034)	(11,121,971)	n/a
Three years later	(442,947)	(10,965,420)	n/a
Four years later	(455,293)	(10,805,614)	n/a
Five years later	(417,165)	(10,823,437)	n/a
Six years later	(435,175)	(10,316,320)	n/a
Seven years later	(421,149)	(10,609,302)	n/a
Eight years later	(457,557)	(10,986,273)	n/a
Nine years later	(459,291)	(11,383,580)	n/a
Ten years later	(470,831)	(11,488,944)	n/a
Eleven years later	n/a	(11,771,346)	n/a
<b>Current estimate of ultimate claims expense</b>	<b>(470,831)</b>	<b>(11,771,346)</b>	<b>(12,242,177)</b>
Cumulative payments	442,161	11,288,333	11,730,494
<b>Outstanding claims liability (undiscounted)</b>	<b>(28,670)</b>	<b>(483,013)</b>	<b>(511,683)</b>
Discount to present value	2,700	45,821	48,521
<b>Outstanding claims liability (discounted)</b>	<b>(25,970)</b>	<b>(437,192)</b>	<b>(463,162)</b>
2010-2011 Canterbury event risk margin			(70,648)
<b>Other events</b>			
Other claims (expected to be settled within a year)			(39,508)
Other risk margin			(13,615)
<b>Outstanding claims liability (85% probability of adequacy, discounted)</b>			<b>(586,933)</b>

### Settlement of outstanding claims liability

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

	<b>2024 \$(000)</b>	<b>2025 \$(000)</b>	<b>2026 \$(000)</b>	<b>2027 and beyond \$(000)</b>	<b>Total \$(000)</b>
Outstanding claims liability - central estimate	412,226	230,863	96,177	164,200	<b>903,466</b>
Risk margin	145,816	82,814	25,059	27,355	<b>281,044</b>
<b>Total outstanding claims liability</b>	<b>558,042</b>	<b>313,677</b>	<b>121,236</b>	<b>191,555</b>	<b>1,184,510</b>

### 3. Gross earned premiums

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

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

	<b>Actual 2023 \$(000)</b>	<b>Actual 2022 \$(000)</b>
Gross written premiums	774,425	545,176
Less discount to insurers	(19,003)	(13,584)
	<b>755,422</b>	<b>531,592</b>
Movement in unearned premium liability	(143,540)	(3,544)
<b>Premiums</b>	<b>611,882</b>	<b>528,048</b>
Unearned premium liability at 1 July	(276,311)	(272,767)
Deferral of premiums on contracts written in the period	(419,852)	(276,311)
Earning of premiums written in previous periods	276,311	272,767
<b>Unearned premium liability at 30 June</b>	<b>(419,852)</b>	<b>(276,311)</b>

## 4. Other revenue and other expense

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

On 7 October 2019 Toka Tū Ake EQC entered into an agreement with the Crown that allowed owners of On-sold over-cap properties in Canterbury to apply for an ex-gratia Government payment to have their homes repaired. This process is facilitated by Toka Tū Ake EQC and reimbursed in full by the Crown in arrears after each quarter

end, resulting in the revenue offsetting the expenses in full. During the year there were ex-gratia payments totalling \$104 million (2022: \$105 million) paid out to qualifying owners of On-sold properties on behalf of the Crown. Applications were received during the period August 2019 through to October 2020 and will continue to be settled as claims are processed.

On 11 October 2019 Toka Tū Ake EQC entered into an agreement with Southern Response whereby Toka Tū Ake EQC acts as agent in managing Southern Response's remaining customers. The costs incurred in fulfilling this contract (refer Note 8), plus an overhead margin, are reimbursed in arrears after each quarter end; resulting in a margin of \$0.6 million (2022: \$0.5 million).

	On-sold agency agreement \$(000)	Southern Response agency agreement \$(000)	Other \$(000)	Total \$(000)
<b>2023</b>				
Reimbursement of expenses	8,215	1,654	-	9,869
Other	-	-	33	33
<b>Total other revenue</b>	<b>8,215</b>	<b>1,654</b>	<b>33</b>	<b>9,902</b>
Expenses	(8,215)	(1,092)	-	(9,307)
	-	<b>562</b>	<b>33</b>	<b>595</b>
<b>2022</b>				
Reimbursement of expenses	9,927	1,481	-	11,408
Other	-	-	10	10
<b>Total other revenue</b>	<b>9,927</b>	<b>1,481</b>	<b>10</b>	<b>11,418</b>
Expenses	(9,927)	(952)	-	(10,879)
	-	<b>529</b>	<b>10</b>	<b>539</b>

## 5. Other receivables

The majority of other receivables represents receipts for the outstanding On-sold agency agreement and Southern Response agency agreement reimbursement.

	<b>Actual 2023 \$(000)</b>	<b>Actual 2022 \$(000)</b>
Other receivables	30,527	30,744
Less: provision for impairment	(19)	(32)
<b>Total other receivables</b>	<b>30,508</b>	<b>30,712</b>
<b>Reconciliation of movements in the provision for impairment</b>		
Provision for impairment at 1 July	(32)	(1)
Impairment expense in the year	11	(31)
Utilised impairment expense	2	-
<b>Provision for impairment at 30 June</b>	<b>(19)</b>	<b>(32)</b>

Other receivables are monitored based on a combination of factors including the evaluation of aging balances, previous collection history and other qualitative and quantitative factors. Toka Tū Ake EQC considers the probability of default upon initial recognition of the other receivables and throughout the period and provides for other receivables expected to be impaired.

Toka Tū Ake EQC recognises an allowance for expected credit losses in the Statement of Comprehensive Revenue and Expense. When other receivable are deemed uncollectible, it is written off against the provision account for other receivables. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Revenue and Expense.

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

	2023				2022			
	<b>Expected loss rate</b>	<b>Gross \$(000)</b>	<b>Impairment \$(000)</b>	<b>Net \$(000)</b>	<b>Expected loss rate</b>	<b>Gross \$(000)</b>	<b>Impairment \$(000)</b>	<b>Net \$(000)</b>
Not past due	0.0%	30,243	-	30,243	0.0%	29,968	-	29,968
Past due 1-30 days	0.0%	36	-	36	0.0%	742	-	742
Past due 31-60 days	0.0%	28	-	28	0.0%	-	-	-
Past due 61-90 days	0.0%	19	-	19	0.0%	-	-	-
Past due > 90 days	9.4%	201	(19)	182	92.8%	34	(32)	2
<b>Total</b>		<b>30,527</b>	<b>(19)</b>	<b>30,508</b>		<b>30,744</b>	<b>(32)</b>	<b>30,712</b>

## 6. Reinsurance and other recoveries

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

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

There are differences between the reinsurance recoveries within the actuarial valuation and the Statement of Financial Position due to how reinsurance receipts are deemed to have been recovered.

Also included is \$4 million receivables from Aon Reinsurance Solutions which relates to activity which was performed in June 2023. Aon are the reinsurance brokers who manage the collection of reinsurance monies on behalf of Toka Tū Ake EQC. The collection from reinsurance for these outstanding items will be received in September 2023.

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

	<b>Actual 2023 \$(000)</b>	<b>Actual 2022 \$(000)</b>
Gross reinsurance recoveries	46,810	34,539
Impact of discounting	(2,302)	(15,418)
<b>Total discounted reinsurance</b>	<b>44,508</b>	<b>19,121</b>

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

	<b>Actual 2023 \$(000)</b>	<b>Actual 2022 \$(000)</b>
Gross reinsurance receivable	183,628	165,632
Discounting	(19,814)	(17,511)
<b>Discounted reinsurance receivable</b>	<b>163,814</b>	<b>148,121</b>
Sundry receivables (i)	573	2,306
Less: provision for impairment (i)	(573)	(2,306)
<b>Total recoveries</b>	<b>-</b>	<b>-</b>
<b>Total outstanding reinsurance and other recoveries</b>	<b>163,814</b>	<b>148,121</b>
Current	72,469	10,645
Non-current	91,345	137,476
	<b>163,814</b>	<b>148,121</b>
<b>Reconciliation of movement in outstanding reinsurance and other recoveries</b>		
Outstanding reinsurance and other recoveries at 1 July	148,121	181,252
Reinsurance and other recoveries recognised in the year	44,508	19,121
Reinsurance and other recoveries received during the year	(28,815)	(52,252)
<b>Outstanding reinsurance and other recoveries at 30 June</b>	<b>163,814</b>	<b>148,121</b>
<b>Reconciliation of movements in the provision for impairment</b>		
Provision for impairment at 1 July	(2,306)	(1,833)
Impairment expense in the year	-	(473)
Released impairment expense	1,733	-
<b>Provision for impairment at 30 June</b>	<b>(573)</b>	<b>(2,306)</b>

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

The reinsurance recoveries relate to the Canterbury earthquakes included within the outstanding claims liability in Note 2, which occurred in the 2010-2011 financial years. No reinsurance recoveries relate to events in the current financial year. The estimated value of reinsurance recoveries is calculated using the same stochastic process as for the ultimate claims costs.

At 30 June 2023, the ultimate expected reinsurance recoveries reduced by \$23 million to \$4,903 million.

Cash flow projections for reinsurance recoveries are discounted for the time value of money. The discount is reassessed at the end of each financial year to account for changes to interest rates, payment patterns and settlement periods. At 30 June 2023, the discount for the outstanding reinsurance recoveries was increased by \$2.3 million to \$19.8 million.

The assumptions used in estimating the recoveries can be found in Note 2.

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

The aging profile for sundry receivables and impairment at year end is detailed below:

	2023				2022			
	Expected loss rate	Gross \$(000)	Impairment \$(000)	Net \$(000)	Expected loss rate	Gross \$(000)	Impairment \$(000)	Net \$(000)
Not past due	100%	573	(573)	-	100%	2,306	(2,306)	-
Past due 1-30 days	0.0%	-	-	-	0.0%	-	-	-
Past due 31-60 days	0.0%	-	-	-	0.0%	-	-	-
Past due 61-90 days	0.0%	-	-	-	0.0%	-	-	-
Past due > 90 days	0.0%	-	-	-	0.0%	-	-	-
<b>Total</b>		<b>573</b>	<b>(573)</b>	<b>-</b>		<b>2,306</b>	<b>(2,306)</b>	<b>-</b>

## 7. Claims expense

Claims expenditure represents payments for claims, claims handling costs, the movement in the liability for outstanding claims and the associated risk margin. The claims expense for the 2022-2023 financial year is \$835 million (2022: \$280 million).

Current year claims expense comprises amounts paid (or estimates of amounts payable) in relation to natural disaster damage sustained during the current financial year.

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

During the current year there were also further claims incurred for which the paid and payable value is \$684 million (2022: \$52 million).

	2023			2022		
	Current year \$(000)	Prior years \$(000)	Total \$(000)	Current year \$(000)	Prior years \$(000)	Total \$(000)
<b>Summary</b>						
Gross claims expense – undiscounted	(714,790)	(153,227)	(868,017)	(52,572)	(269,995)	(322,567)
Discounting – on total outstanding claims	31,214	1,571	32,785	428	42,423	42,851
<b>Gross claims expense – discounted</b>	<b>(683,576)</b>	<b>(151,656)</b>	<b>(835,232)</b>	<b>(52,144)</b>	<b>(227,572)</b>	<b>(279,716)</b>

Claims handling expenses are costs incurred by Toka Tū Ake EQC in relation to the processing and administration of claims received. The following tables show the costs related to the 2010-2011 Canterbury earthquake sequence and the 2023 Upper North Island weather events.

<b>Canterbury claims handling expenses incurred by expense type</b>	<b>Actual 2023 \$(000)</b>	<b>Actual 2022 \$(000)</b>
<b>2010-2011 Canterbury earthquake sequence</b>		
Employee remuneration and benefits	(10,522)	(11,341)
Claims administrators and contractors	(5,361)	(7,174)
Engineers and consultants	(2,775)	(4,651)
Other costs	(1,943)	(2,383)
Call centres and claims management – third party	(908)	(808)
Office rental	(657)	(843)
Bad debts	1,734	(473)
Superannuation contribution costs	(319)	(327)
Fees paid to the auditor		
Audit fees (refer Note 8)	(137)	(163)
Travel and accommodation	(108)	(109)
Depreciation	(1)	(2)
Amortisation of intangibles	-	(176)
Claims assessment fees	-	(92)
<b>Canterbury claims handling expenses incurred</b>	<b>(20,997)</b>	<b>(28,542)</b>

<b>Upper North Island claims handling expenses incurred by expense type</b>	<b>Actual 2023 \$(000)</b>	<b>Actual 2022 \$(000)</b>
<b>2023 Upper North Island weather events</b>		
Claims assessment fees	(3,147)	-
Engineers and consultants	(473)	-
Travel and accommodation	(108)	-
Employee remuneration and benefits	(55)	-
Call centres and claims management – third party	(44)	-
Fees paid to the auditor		
Audit fees (refer Note 8)	(19)	-
<b>Upper North Island claims handling expenses incurred</b>	<b>(3,846)</b>	<b>-</b>

## 8. Other operating expenses (excluding claims expense and claims handling expense for Canterbury and Upper North Island weather events)

The operating expenses of Toka Tū Ake EQC are allocated across recovery, resilience, risk financing and readiness.

Expenditure is allocated to these functions by directly attributing costs as far as possible. Indirect costs are apportioned based on the average number of full-time equivalents employed during the financial year and are allocated between recovery, resilience, risk financing and readiness.

Costs grouped by expense type	Note	Actual 2023 \$(000)	Actual 2022 \$(000)
Employee remuneration and benefits		(22,365)	(18,714)
GeoNet operating costs		(11,900)	(11,983)
Technology costs		(10,172)	(13,208)
Outsourced service providers (i)		(9,377)	(7,995)
Consultants and contractors	4	(8,388)	(11,438)
On-sold agreement expenses		(8,215)	(9,927)
Project costs (ii)		(6,716)	(15,629)
Grants for research		(5,741)	(6,847)
Other administration costs		(4,068)	(3,703)
Amortisation of intangibles		(2,748)	(7,727)
Southern Response agreement expenses	4	(1,092)	(952)
Sponsorship		(987)	(841)
Advertising and publicity		(862)	(752)
Depreciation		(758)	(1,152)
Superannuation contribution costs		(658)	(547)
Commissioners' fees		(391)	(327)
Fees paid to the auditor*			
Audit of the financial statements		(260)	(175)
Loss on disposal	14	(76)	(9,916)
Bad debts		11	(32)
<b>Total other operating expenses (excluding claims expense and claims handling expense)</b>		<b>(94,763)</b>	<b>(121,865)</b>

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

(ii) Project costs include continued investment in our existing technology platforms, commitment to our customers through improvement of feedback services and the launch of a web-based portal to facilitate higher accessibility to claim history data.

	Actual 2023 \$(000)	Actual 2022 \$(000)
<b>* Total audit fees include payments to EY for the following:</b>		
Audit of the financial statements	(422)	(338)
Agreed upon procedures	(18)	-
<b>Total fees paid to auditors</b>	<b>(439)</b>	<b>(338)</b>

## 9. Investment revenue

Investment revenue is generated from interest on term deposits.

	<b>Actual 2023 \$(000)</b>	<b>Actual 2022 \$(000)</b>
<b>Short-term investments</b>		
Interest income	4,561	1,343
<b>Total investment revenue</b>	<b>4,561</b>	<b>1,343</b>

## 10. Commitments

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

<b>2023</b>	<b>Reinsurance contracts \$(000)</b>	<b>Research and Sponsorship \$(000)</b>	<b>IT &amp; data contracts \$(000)</b>	<b>Building leases \$(000)</b>	<b>Total \$(000)</b>
<b>Operating commitment</b>					
Not later than one year	362,350	3,532	10,986	1,329	378,197
Later than one year but not later than two years	24,728	1,549	6,986	692	33,954
Later than two years but not later than five	47,395	293	552	1,429	49,668
Later than five years	-	187	-	-	187
<b>Total commitment</b>	<b>434,473</b>	<b>5,559</b>	<b>18,525</b>	<b>3,450</b>	<b>462,006</b>

<b>2022</b>	<b>Reinsurance contracts \$(000)</b>	<b>Research and Sponsorship \$(000)</b>	<b>IT &amp; data contracts \$(000)</b>	<b>Building leases \$(000)</b>	<b>Total \$(000)</b>
<b>Operating commitment</b>					
Not later than one year	237,895	3,607	13,165	1,731	256,398
Later than one year but not later than two years	-	882	847	1,559	3,288
Later than two years but not later than five	-	344	892	1,973	3,209
Later than five years	-	-	-	168	168
<b>Total commitment</b>	<b>237,895</b>	<b>4,833</b>	<b>14,904</b>	<b>5,431</b>	<b>263,063</b>

## 11. Major budget variances

### Statement of Comprehensive Revenue and Expense

#### Reinsurance and other recoveries

Reinsurance and other recoveries were higher than budget by \$43 million, reflecting an increase in the expected level of reinsurance recoveries from the Canterbury earthquake sequence following an increase in the central estimate for the September 2010 Canterbury event.

#### Claims expense

Claims expense is unfavourable to budget by \$804 million largely due to the new Upper North Island weather events.

#### Movement in unexpired risk liability

An unexpired risk liability expense has been incurred of \$13 million from the increase in the net premium liability.

#### Other operating expenses

Lower operating expenses by \$3 million were mainly due to lower consultancy and project spend. Project spend relates to the programme to modernise technology and data systems and the ongoing investment in our loss modelling platform. Items originally budgeted as operating costs for the Natural Hazards Portal met the criteria to be capitalised as intangible assets. Other expenses relate to costs incurred managing the On-Sold over-cap programme on behalf of the Crown and managing Southern Response's remaining claims which are reimbursed to Toka Tū Ake EQC.

### Investment activities

Investment revenue is \$2 million higher than budget due to higher term deposit balances at the start of the year than forecast and higher interest rates.

### Statement of Financial Position

#### Outstanding reinsurance and other recoveries

Reinsurance receivables balance is \$56 million higher than budget, due mainly to the increase in the gross ultimate claims cost for Canterbury (partially offset by changes in the discounting).

#### Investments

The Investments balance is for funds held in bank term deposits to access higher interest returns. There were higher cash balances and term deposits at the end of the 2023 financial year than expected by \$161 million.

#### Outstanding claims liability

The outstanding claims liability is over \$1,014 million higher than budgeted. This is primarily due to the new Upper North Island Weather events.

### Statement of Cash Flows

#### Reinsurance and other recoveries

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

### **On-sold agreement receipts and payments**

Slower On-sold claim settlements during the year has resulted in lower level of reimbursements and payments during the year. Delays in settling claims and completing repairs have been driven by increased demand in the construction industry, building supply chain issues and delays.

### **Purchase of Intangibles**

There was higher capital spend on intangibles driven by the Natural Hazards Portal that was developed during the year.

### **Purchase of Investments**

Increased funds invested in bank term deposits during the year.

## **12. Natural Disaster Fund**

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

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

This includes:

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

### **Capitalised reserves**

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

### **Capital management**

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

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

## Solvency

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

## 13. Financial instruments

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

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

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

All financial liabilities are initially recognised at fair value and include directly attributable transaction costs.

The subsequent measurement of financial liabilities depends on their classification. Financial liabilities are derecognised if obligations specified in the contract expire, are discharged or cancelled. Financial liabilities subsequently measured at amortised cost include trade and other payables.

## Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash in transit, bank call deposits and term deposits of less than three months. The carrying amount of cash approximates its fair value. Cash is subsequently measured at fair value through surplus and deficit.

## Investments

Investments are term deposits for periods of greater than three months but less than one year. The carrying amount of investments approximates their fair value. Investments are initially and subsequently measured at fair value through surplus and deficit.

## Receivables

All receivables reflecting rights arising under an insurance contract as defined in PBE IFRS 4 Insurance Contracts are recognised at amount receivable less a provision for impairment. A provision for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original term of the receivable.

Receivables within the scope of PBE IFRS 9 are managed to collect contractual cash flows and their contractual terms generate cash flows that are solely payment of principal (and interest thereon, if any). Receivables are initially recognised at fair value and are subsequently measured at amortised cost less a provision for impairment if appropriate.

### **Impairment of financial assets**

Toka Tū Ake EQC recognises an allowance for expected credit losses ('ECL') for financial assets measured at amortised cost. ECL are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that Toka Tū Ake EQC expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Toka Tū Ake EQC has established a provision matrix to measure expected credit losses for non-insurance assets.

### **Trade and other payables**

Trade and other payables are recognised when Toka Tū Ake EQC becomes obliged to make future payments resulting from the purchase of goods and services. Payables are initially recognised at fair value and subsequently measured at amortised cost. They are not discounted due to their short term nature.

### **Credit rating**

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

### **Credit risk**

Toka Tū Ake EQC limits its exposure to very large-scale natural disasters through the purchase of reinsurance. Toka Tū Ake EQC is exposed to the credit risk of a reinsurer defaulting on its obligations. Note 18 explains how Toka Tū Ake EQC minimises the risk of default.

Toka Tū Ake EQC reduces credit risk by placing reinsurance with counterparties who have a credit rating of AAA to A- from Standard and Poor's (i.e. from "extremely strong" to "strong") and limiting its exposure to any one reinsurer or related group of reinsurers. When credit ratings are not available from Standard and Poor's Toka Tū Ake EQC assess the equivalents from AM Best.

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

	<b>Actual 2023 \$(000)</b>	<b>Actual 2022 \$(000)</b>
<b>Credit ratings</b>		
<b>Counterparties with credit ratings</b>		
<b>Cash and cash equivalents</b>		
AA-	192,189	107,574
	<b>192,189</b>	<b>107,574</b>
<b>Investments</b>		
AA	43,000	30,023
AA-	117,775	120,817
	<b>160,775</b>	<b>150,840</b>
<b>Reinsurance recoveries</b>		
AA+	655	563
AA	6,503	6,028
AA-	68,540	64,744
A+	56,123	48,021
A	11,221	8,043
A-	20,772	20,722
	<b>163,814</b>	<b>148,121</b>
<b>Premiums receivable</b>		
AA+	-	120
AA	73,787	-
AA-	49,633	48,855
A+	4,443	34,900
A	18,133	9,468
A-	15,805	10,114
Other	198	329
	<b>161,999</b>	<b>103,786</b>
<b>Counterparties without credit ratings</b>		
Other receivables*	<b>30,508</b>	<b>30,712</b>

\* The recoverability risk is low since the majority of this balance is from a government department.

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

### Liquidity risk

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

Financial liabilities consist of trade and other payables. It is expected that the majority of trade payables outstanding at balance date will be settled within 12 months (2022: 12 months).

## 14. Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

### Additions

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

### Disposals

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

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

### Subsequent costs

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

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

### Finance leases

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

### Lease liabilities

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

## Depreciation

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

Furniture and equipment	10 years
Leasehold improvements	6-10 years
Computer hardware	3-10 years

The Canterbury and Non-Canterbury assets have been combined in the current year presentation of the following tables as the split is no longer material to Toka Tū Ake EQC.

<b>2023</b>	<b>Furniture and equipment \$(000)</b>	<b>Leasehold improvements \$(000)</b>	<b>Computer hardware \$(000)</b>	<b>Work in progress \$(000)</b>	<b>Total \$(000)</b>
<b>Cost</b>					
At 1 July 2022	1,518	1,661	3,886	10	7,075
Additions	104	59	242	8	414
Disposals	(754)	(619)	(1,171)	-	(2,544)
Transfers	8	-	2	(10)	-
<b>At 30 June 2023</b>	<b>876</b>	<b>1,101</b>	<b>2,959</b>	<b>8</b>	<b>4,944</b>
<b>Accumulated depreciation</b>					
At 1 July 2022	(807)	(1,365)	(3,080)	-	(5,252)
Depreciation charge	(90)	(143)	(525)	-	(758)
Disposals	687	619	1,162	-	2,468
<b>At 30 June 2023</b>	<b>(210)</b>	<b>(889)</b>	<b>(2,443)</b>	<b>-</b>	<b>(3,542)</b>
<b>Carrying amounts at 30 June 2023</b>	<b>666</b>	<b>212</b>	<b>516</b>	<b>8</b>	<b>1,402</b>

<b>2022</b>	<b>Furniture and equipment \$'(000)</b>	<b>Leasehold improvements \$'(000)</b>	<b>Computer hardware \$'(000)</b>	<b>Held for Sale GeoNet assets \$'(000)</b>	<b>Work in progress \$'(000)</b>	<b>Total \$'(000)</b>
<b>Cost</b>						
At 1 July 2021	1,001	1,661	3,952	49,656	-	56,272
Additions	-	-	-	-	637	637
Transfers	517	-	110	-	(627)	-
Disposals	-	-	(176)	(49,656)	-	(49,832)
<b>At 30 June 2022</b>	<b>1,518</b>	<b>1,661</b>	<b>3,886</b>	<b>-</b>	<b>10</b>	<b>7,077</b>
<b>Accumulated depreciation</b>						
At 1 July 2021	(747)	(1,229)	(2,285)	(39,721)	-	(43,984)
Depreciation charge	(61)	(136)	(956)	-	-	(1,153)
Disposals	-	-	160	39,721	-	39,881
<b>At 30 June 2022</b>	<b>(807)</b>	<b>(1,365)</b>	<b>(3,080)</b>	<b>-</b>	<b>-</b>	<b>(5,255)</b>
<b>Carrying amounts at 30 June 2022</b>	<b>711</b>	<b>297</b>	<b>806</b>	<b>-</b>	<b>10</b>	<b>1,824</b>

## Finance lease assets

The carrying value of property, plant and equipment held by Toka Tū Ake EQC under finance leases at 30 June 2023 is \$0.05 million (2022: \$0.06 million). This relates to printing equipment leased by Toka Tū Ake EQC. There were no additions during the year (2022: \$nil).

## 15. Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairment losses.

### Research and development

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

### Software acquisition and development

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

Other development expenditure is recognised in the Statement of Comprehensive Revenue and Expense when incurred.

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

### Subsequent costs

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

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

### Amortisation

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

Software	3-9 years
Claims management system v8	4-5 years

### Impairment of intangible assets

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

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

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

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

The Canterbury and Non-Canterbury assets have been combined in the current year presentation of the following tables as the split is no longer material to Toka Tū Ake EQC.

<b>2023</b>	<b>Software \$(000)</b>	<b>Claims management system \$(000)</b>	<b>Work in progress \$(000)</b>	<b>Total \$(000)</b>
<b>Cost</b>				
At 1 July 2022	29,630	12,223	-	41,853
Additions	-	-	3,284	3,284
Disposals	(15,917)	(12,223)	-	(28,140)
Transfers	3,284	-	(3,284)	-
<b>At 30 June 2023</b>	<b>16,997</b>	<b>-</b>	<b>-</b>	<b>16,997</b>
<b>Accumulated amortisation</b>				
At 1 July 2022	(20,452)	(12,223)	-	(32,675)
Amortisation charge	(2,748)	-	-	(2,748)
Disposals	15,920	12,223	-	28,143
<b>At 30 June 2023</b>	<b>(7,280)</b>	<b>-</b>	<b>-</b>	<b>(7,280)</b>
<b>Carrying amounts at 30 June 2023</b>	<b>9,717</b>	<b>-</b>	<b>-</b>	<b>9,717</b>
<b>2022</b>				
<b>Cost</b>				
At 1 July 2021	29,630	12,223	218	42,070
Impairment	-	-	(218)	(218)
<b>At 30 June 2022</b>	<b>29,630</b>	<b>12,223</b>	<b>-</b>	<b>41,853</b>
<b>Accumulated amortisation</b>				
At 1 July 2021	(14,620)	(10,154)	-	(24,774)
Amortisation charge	(5,832)	(2,069)	-	(7,901)
<b>At 30 June 2022</b>	<b>(20,452)</b>	<b>(12,223)</b>	<b>-</b>	<b>(32,675)</b>
<b>Carrying amounts at 30 June 2022</b>	<b>9,178</b>	<b>-</b>	<b>-</b>	<b>9,178</b>

## 16. Trade and other payables

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their fair value.

	<b>Actual 2023 \$(000)</b>	<b>Actual 2022 \$(000)</b>
Trade payables and accruals	(16,913)	(13,115)
Tax on reinsurance	(11,436)	(8,613)
	<b>(28,349)</b>	<b>(21,728)</b>

## 17. Short-term liabilities

Short-term liabilities are for wages and salaries (including non-monetary benefits), annual leave and sick leave are recognised in surplus or deficit during the period in which the employee rendered the related services and are generally expected to be settled within 12 months of the reporting date. The liabilities for these short-term benefits are measured at the amounts expected to be paid when the liabilities are settled. The remaining amount relates to a make-good provision for restoring leased premises to their original condition at the end of the lease term.

	<b>Actual 2023 \$(000)</b>	<b>Actual 2022 \$(000)</b>
Employee entitlements	(3,016)	(4,542)
Make good provision	(127)	(41)
	<b>(3,143)</b>	<b>(4,584)</b>

## 18. Unexpired risk liability

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

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

The unexpired risk liability was determined as follows:

	<b>Actual 2023 \$(000)</b>	<b>Actual 2022 \$(000)</b>
<b>Calculation of deficiency</b>		
Cost of future claims from unexpected risks, undiscounted - central estimate	258,552	140,556
Administration and reinsurance costs for unexpired risks	263,991	128,872
Reinsurance recoveries, undiscounted	(74,947)	(22,497)
<b>Net premium liabilities, undiscounted - central estimate</b>	<b>447,596</b>	<b>246,931</b>
Discounting	(14,980)	(5,170)
<b>Net premium liabilities, discounted - central estimate</b>	<b>432,616</b>	<b>241,761</b>
Risk margin	-	-
<b>Net premium liabilities</b>	<b>432,616</b>	<b>241,761</b>
Unearned premium liability	(419,852)	(276,311)
<b>Net deficiency/(surplus)</b>	<b>12,764</b>	<b>(34,550)</b>
<b>Unexpired risk liability</b>		
Unexpired risk liability balance at 1 July	-	-
Movement for the year	12,764	-
<b>Unexpired risk liability at 30 June</b>	<b>12,764</b>	-

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

The risk margin on premium liabilities for 2023 is 0% (2022: 0%). Toka Tū Ake EQC has adopted a 75% probability of adequacy for the premium liability balance. The risk margin for 2023 is \$0 (2022: \$0) because the distribution of potential claims is heavily skewed and, consequently, the central estimate (mean) outcome is greater than the 75th percentile.

### **Sensitivity analysis**

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

## **19. Involvement with unconsolidated structured entities**

During the year ended 30 June 2023, Toka Tū Ake EQC sponsored the establishment of a special purpose reinsurance vehicle (SPRV) in Singapore, Totara Re, which was incorporated on 13 April 2023. Toka Tū Ake EQC is considered to sponsor another entity if, in addition to ongoing involvement with the entity, it had a key role in establishing that entity or in

bringing together relevant counterparties so the transaction that is the purpose of the entity could occur.

Totara Re is a structured securitisation entity as the use of binding arrangements predetermines the narrow scope of its relevant activities, and voting rights relate only to administrative tasks. The insurance-linked securitisations transfer pre-existing insurance risk to investors in Totara Re, through the issuance of insurance-linked securities to the market. In insurance-linked securitisations, Totara Re assumes the insurance risk from Toka Tū Ake EQC through reinsurance contracts. Totara Re retains the issuance proceeds as collateral, which are invested in investment-grade securities. Toka Tū Ake EQC is not exposed to variability of benefits from the performance of the securitisation vehicle. Interest earned is returned to the investors based on performance of the investments grade securities.

The purpose of sponsoring this entity was to transfer natural peril insurance risk from Toka Tū Ake EQC to Totara Re through a collateralised reinsurance agreement and to expand and diversify its sources for risk capital. On this basis, it is determined that the transfer of risk creates variable returns for the investors in Totara Re rather than Toka Tū Ake EQC and as such control does not sit with Toka Tū Ake EQC.

Toka Tū Ake EQC has entered into a four-year reinsurance agreement with Totara Re with the value of \$225 million cover at the attachment point of \$2 billion commencing on 1 June 2023. The reinsurance premiums paid to Totara Re cover the risk premium and operating costs of the SPRV.

Totara Re has no ability to enter into any other reinsurance agreements with other parties and is currently limited to the \$225 million cover with Toka Tū Ake EQC.

In a natural peril event, income from the structured entity includes reimbursement for costs incurred by Toka Tū Ake EQC covered by the reinsurance agreement. During the year, there were no qualifying events for which Toka Tū Ake EQC received any income from the Totara Re.

Assets transferred to unconsolidated structured entities during the year consist of cash held by Totara Re to cover minor operating costs incurred by the SPRV during the year as part of the reinsurance agreement.

There may be a delay between when a loss occurs and when payment is made under the reinsurance agreement at the end of the contract term. Toka Tu Ake has entered into a new Crown Liquidity Facility with Treasury to manage any potential timing mismatch between a triggering event and when the proceeds from a loss occurrence would be transferred to the Natural Disaster Fund.

The following table shows Toka Tū Ake EQC's interests in and maximum exposure to loss from Totara Re:

	2023			2022		
	Total assets (\$000)	Total liabilities (\$000)	Maximum exposure to loss (\$000)*	Total assets (\$000)	Total liabilities (\$000)	Maximum exposure to loss (\$000)*
Insurance-linked securitisations	3,432	1,641	225,000	-	-	-
<b>Total</b>	<b>3,432</b>	<b>1,641</b>	<b>225,000</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* For the purpose of this disclosure, maximum exposure to loss amounts does not consider the risk-reducing effects of collateral or other credit enhancements and has been determined as using the value of the collateralised bond.

## 20. Insurance risks

Toka Tū Ake EQC must accept exposure to claims for the natural disasters as specified in the Act. The premium level set by the Earthquake Commission Amendment Regulations 2022 is 16 cents for every \$100 of sum insured up to a maximum of \$480 per dwelling.

The change to the premium level took place from 1 October 2022. Prior to this, the premium level was 20 cents for every \$100 of sum insured up to a maximum of \$300 per dwelling.

### Reinsurance programme

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

- minimising the overall cost to secure mandated protection to New Zealand homeowners
- varying the reinsurance agreement terms and conditions as appropriate should the Crown determine a different risk profile under the natural disaster insurance scheme
- minimising the risk of default among reinsurers by limiting its exposure to any one reinsurer or related group of reinsurers, by applying the following policies:
  - setting a target for the overall programme at placement that achieves a weighted average score of Standard and Poor's (S&P) financial strength rating of A or better
  - normally placing reinsurance with organisations that have the following security ratings:
    - S&P: AAA to A- (i.e. from “extremely strong” to “strong”), or
    - AM Best: A++ to A- (i.e. from “superior” to “excellent”)
  - for reinsurance contracts supported by Insurance Linked Securities (ILS) vehicles that the vehicle is:
    - established in a jurisdiction that provides regulatory safeguards to protect Toka Tū Ake EQC's financial position; and
    - fully collateralised on inception of the transaction and maintains sufficient capital to meet the obligations of agreements with Toka Tū Ake EQC throughout the duration of the contract
  - diligent examination by management of the case for inclusion of a non-complying reinsurer, with the assistance of its reinsurance broker, and obtaining Board approval of any decision to include such reinsurer
  - ensured that any one reinsurer does not hold more than 25% of the total reinsurance programme.

### **Crown underwriting fee**

Pursuant to section 17 of the Act, Toka Tū Ake EQC is required to pay a fee to the Crown as determined by the Minister of Finance, for the guarantee provided under Section 16 of the Act (refer Notes 1 and 12). The Minister of Finance determined that \$10 million be paid for the year ended 30 June 2023 (2022: \$10 million).

### **Interest rate risk and credit risk**

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

### **Research and education**

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

### **Outward reinsurance premium expense**

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

Prepaid reinsurance premiums are included in outward reinsurance expense asset in the Statement of Financial Position and is paid quarterly in advance of the coverage period. Premiums for reinsurance contracts supported by Insurance Linked Securities (ILS) vehicles is paid quarterly in arrears of the coverage period.

## **21. Contingent liabilities**

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

Toka Tū Ake EQC received around 469,000 claims from the 2010-2011 Canterbury earthquake sequence, on which some disputes and the possibility of litigation is inevitable. As at 30 June 2023, 24 open litigation cases are currently in the dispute resolution process, of which 19 relate to Canterbury litigation cases. The expectation of costs from disputes and litigation under the EQC Act has been considered by the actuaries in deriving the outstanding claims liability as at 30 June 2023.

## 22. Related party transactions

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

	Actual 2023 \$(000)	Actual 2023	Actual 2022 \$(000)	Actual 2022
	Remuneration	FTE	Remuneration	FTE
Commissioners	386	10	330	8
Executive Leadership Team	3,077	9	2,748	10
	<b>3,463</b>	<b>19</b>	<b>3,078</b>	<b>18</b>

No payments were made upon cessation of employment of key management personnel during the year (2022: nil).

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

Toka Tū Ake EQC purchased services of \$62,200 (2022: \$44,000) in the year from Resilient Organisations Limited, an organisation of which E Seville is a Director. The services purchased related to a project to enhance community engagement on natural hazard risk. Toka Tū Ake EQC has purchased services of \$30,000 (2022: \$92,400) in the year from BRANZ Limited, an organisation of which E Seville is a Director. The services purchased related to a project on seismic education for builders.

Toka Tū Ake EQC has a contractual agreement with Southern Response Earthquake Services Ltd, a company of which A James is a Director. Refer to Note 4 for details.

Toka Tū Ake EQC purchased services of \$39,000 in the year from Peta Kirikiri, who is a close family member of Chief Executive Tina Mitchell. The services purchased were for te reo Māori lessons for Toka Tū Ake EQC staff.

During the financial year, two (2022: one) employees were a close family member of key management personnel. The terms and conditions of their employment arrangement were no more favourable than Toka Tū Ake EQC would have adopted if there were no relationship to key management personnel.

During the 2023 financial year, one close family member has lodged a claim for the Upper North Island weather events and have either received payments or are awaiting payments from Toka Tū Ake EQC.

## 23. Employee and Board remuneration

The table below contains the total remuneration paid or payable to Toka Tū Ake EQC employees in excess of \$100,000 within a financial year. Total remuneration includes gross salary, wellbeing benefit, employee and employer superannuation contributions.

	Actual 2023	Actual 2022
\$100,000 - \$109,999	24	20
\$110,000 - \$119,999	17	26
\$120,000 - \$129,999	28	36
\$130,000 - \$139,999	27	13
\$140,000 - \$149,999	23	17
\$150,000 - \$159,999	14	11
\$160,000 - \$169,999	6	7
\$170,000 - \$179,999	13	3
\$180,000 - \$189,999	7	4
\$190,000 - \$199,999	7	4
\$200,000 - \$209,999	2	4
\$210,000 - \$219,999	6	1
\$220,000 - \$229,999	2	3
\$230,000 - \$239,999	3	2
\$240,000 - \$249,999	1	-
\$250,000 - \$259,999	1	2
\$260,000 - \$269,999	-	1
\$270,000 - \$279,999	1	-
\$280,000 - \$289,999	2	-
\$290,000 - \$299,999	1	-
\$310,000 - \$319,999	1	-
\$330,000 - \$339,999	1	-
\$340,000 - \$349,999	-	2
\$350,000 - \$359,999	-	1
\$430,000 - \$439,999	-	1
\$450,000 - \$459,999	1	-
	<b>188</b>	<b>158</b>

When remuneration bands are not shown in the table above, this represents that no employees were paid within those bands during the current or previous financial year.

In addition to the above, and in accordance with confidential contractual agreements, three (2022: nil) payments totalling \$93,624 (2022: \$nil) were made during the year upon cessation of an individual's employment.

## Superannuation schemes

### Defined contribution schemes

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

### Employee entitlements

Employee entitlements include salaries and wages, annual leave, long service leave and other similar benefits which are recognised in the Statement of Comprehensive

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

### Board remuneration

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

	<b>Actual 2023 \$(000)</b>	<b>Actual 2022 \$(000)</b>	
C Black	72	6	Appointed 5 April 2022
R Dyson	45	38	Appointed 1 May 2021
A Hercus	40	36	Appointed 1 March 2020
F Wilson	36	36	Appointed 1 March 2020
E Seville	40	36	Appointed 1 July 2018
A James	36	36	Appointed 1 May 2021
S Lewis	40	34	Appointed 1 March 2020
Z Jalil	36	-	Appointed 1 July 2022
A Brunner	5	-	Appointed 10 May 2023
E Dobson	25	36	Term concluded 28 February 2023
J Apiata	10	-	Term concluded 30 June 2023 - Future Director
M Daly	-	72	Term concluded 30 June 2022
	<b>386</b>	<b>330</b>	

**Indemnity and insurance disclosure**

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

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

**24. Events after balance sheet date**

There were no significant events after balance sheet date.

# Ministerial directions

Ministerial directions to Toka Tū Ake EQC, current as at 30 June 2023 are:

Topic of direction	Description	Date of direction
<b>Investments</b>	Specific section of this direction (para v) continues in force, requiring Toka Tū Ake EQC to produce and comply with a Statement of Investment Policies, Standards and Procedures.	30 October 2001
<b>Damage apportioned to unclaimed events</b>	A direction allowing Toka Tū Ake EQC to make payment in relation to building damage apportioned to events that formed part of the Canterbury earthquake sequence, even where the insured person did not notify Toka Tū Ake EQC of damage for each event in the sequence.	19 December 2012
<b>Amendment to previous direction</b>	A direction amending the direction effective 19 December 2012 such that no excess applies in respect of the unclaimed event.	2 December 2013
<b>Natural Disaster Fund investment policies</b>	A direction to ensure Toka Tū Ake EQC invests the Natural Disaster Fund only in New Zealand Government stock and bank deposits. The direction also includes requirements to notify the Minister when the Fund reaches certain financial limits.	27 July 2015
<b>Land damage apportioned to unclaimed events</b>	A direction allowing Toka Tū Ake EQC to pay out on land damage apportioned to events that formed part of the Canterbury earthquake sequence, even where the insured person did not notify Toka Tū Ake EQC of damage for each event in the sequence.	20 October 2015
<b>Administering the On-sold programme</b>	A direction to administer the support package established by the Crown for qualifying owners of on-sold properties.	7 October 2019
<b>Acting as agent for Southern Response Earthquake Services Limited (SRES)</b>	A direction to Toka Tū Ake EQC that Toka Tū Ake EQC may act as agent for SRES for the purposes of administering open insurance claims against SRES in respect of damage arising from the Canterbury earthquakes, being claims that exceed, or may exceed, the cap. In performing the additional function under this direction, Toka Tū Ake EQC must act in accordance with the terms and conditions of the agency agreement dated 21 October 2019 between Toka Tū Ake EQC and SRES (as varied by agreement between the parties from time to time following consultation with the Minister).	21 October 2019
<b>Replacing certain storm water and sewerage services and structures under the Canterbury earthquake sequence</b>	A direction to pay the amount of the damage to, or replace or reinstate (at Toka Tū Ake EQC's option), any storm water and sewerage services and structures appurtenant to them that suffered damage as the direct result of one or more of the 2010-2011 Canterbury earthquake sequence.	1 July 2021

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

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

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

The foundation from which we  
stand strong, together.

**Te Kāwanatanga  
o Aotearoa**  
New Zealand Government

Toka  
Tū Ake **EQC**