Natural Hazards Commission
Toka Tū Ake

24 February 2026

Insurance Liability Valuation
as at 31 December 2025

FINAL

Some parts of this document are not appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the OIA). Where this is the case, the relevant sections of the OIA that would apply have been identified.

MELVILLE JESSUP WEAVER
WTW Alliance Partner

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1 Executive Summary

1.1 Addressee and commissioner

This report is addressed to Tina Mitchell, Chief Executive of the Natural Hazards Commission Toka Tū Ake ('NHC'). This report was commissioned by Chris Chainey, NHC's Chief Financial Officer

1.2 Effective date

The effective date of this valuation is 31 December 2025.

The most recent previous valuation undertaken by MJW had an effective date of 30 June 2025 and is summarised in the report *Insurance Liability Valuation Report as at 30 June 2025 (dated 28 August 2025)*. Unless otherwise stated, all references to previous figures refer to those as at 30 June 2025.

1.3 Purpose and Scope

This report was commissioned to provide information with regard to:

- NHC's (re)insurance liabilities and assets for use in the financial statements as at 31 December 2025.
- Development since the previous valuation in respect of large events, namely:
  - The Canterbury earthquake sequence of 2010/11 ('CES')
  - The Kaikōura earthquake of 2016 ('KEQ')
  - The North Island Weather Events ('NIWE') of 2023.

1.3.1 Form of report

For previous valuations the scope of the report has covered:

- Analysis supporting the valuation methods and assumptions
- Results and movements since previous valuation.

Given the tight reporting timeframes and complexities of some of the liabilities, it was agreed to split the scope into separate reports for each component above. This allows NHC's management and Board more time to consider and assess the methodology and assumptions prior to producing liability estimates.

A review of the methodology and assumptions for this valuation was carried out using data as at 30 September 2025 and is summarised in the draft report *Insurance Liability Valuation as at 31 December 2025 - Methodology and Assumptions (dated 26 January 2025)* ('the ILVR Assumptions report').

This report focusses on the valuation results and analyses of movements. It also includes some of the key assumptions but we would direct interested readers to the ILVR Assumptions report. We have also drafted a number of supplementary file notes which go into more detail on parts of the valuation. These are listed in Appendix C.

1.4 Results – outstanding claims liabilities

1.4.1 Key results

The table below summarises the estimated outstanding claims liabilities, split by major event.

Outstanding claims liabilities as at 31 December 2025

	CES $m	KEQ $m	NIWE $m	Other $m	Total $m
Central estimate claims and CHE (discounted for time value of money):					
Gross of reinsurance	409	2	50	28	489
Reinsurance recoveries	(108)	0	0	0	(108)
Net of reinsurance	300	2	50	28	380
Risk margin to achieve 85% PoA	126	1	12	3	143
Outstanding claims liability at 85% PoA	**426**	**3**	**62**	**32**	**523**
Compare to Jun-2025 (net of reinsurance):					
Outstanding claims liability at 85% PoA	435	3	72	37	548

CHE - claims handling expenses; PoA - probability of adequacy

- All liabilities have decreased over the period. Details on the movements are provided in the following sections.

1.4.2 Movements in outstanding claims liabilities – CES

The CES liabilities have moved only slightly since the previous valuation. The actual experience has been relatively positive compared to that which was expected and there have been no changes to the litigation provisions.

The table below summarises the movements in the outstanding claims liabilities for the CES. We have also shown the movements in paid claims and estimated ultimates (paid + outstanding).

Canterbury earthquake sequence: movements to 31 December 2025

	Gross $m	RI $m	Net $m
Outstanding as at 30-Jun-2025	**556**	**(121)**	**435**
Payments made	-52	+13	-39
Assumptions/experience changes	+4	+2	+6
Changes in discounting	+9	-2	+7
Changes in risk margin	+17	-	+17
Outstanding as at 31-Dec-2025	**535**	**(108)**	**426**

Gross of reinsurance

On a gross of reinsurance basis:

- $52 million has been paid since June 2025.
- The estimated ultimate claims have increased by $4 million
- Discounting and risk margin changes have added a further $26 million
- Therefore the outstanding has decreased by $21 million.

The main reasons for the increase in estimated ultimate claims are:

- Small adjustments to some components (building and CHE)
- Including provision for emerging items related to On-Sold, where temporary accommodation s9(2)(f) [redacted] costs are provided by NHC.

The Canterbury building claims contribute $5 million to the overall $4 million movement. The contribution of each component is shown in the table below.

	Outstanding as at Jun-2025 $000s	Actual payments $000s	Actual less expected $000s	Exp outstanding as at Jun-2025 $000s	Revisons to outstanding $000s	Outstanding as at Dec-2025 $000s	Impact on ultimate incurred $000s
Reopen claims	274,271	23,113	(5,899)	245,259	(3,884)	241,375	(9,783)
Insurer Finalisation	s9(2)(i)						
Mathias	s9(2)(i)						
s9(2)(h)							
IHRP temp accommodation	0	408	408	0	2,173	2,173	2,580
Fees	27,421	3,666	765	24,520	4,450	28,970	5,215
Unclaimed Damage	16,453	1,471	(270)	14,712	(227)	14,485	(497)
Discretionary costs	41,132	5,378	1,026	36,780	(567)	36,213	459
s9(2)(i)	0	0	0	0	1,159	1,159	1,159
Total	385,478 A	41,001 B	(1,598) C	342,879 D = A - B + C	6,526 E	349,405 F = D + E	4,928 F - A + B

s9(2)(i)

Net of reinsurance

The gross ultimate claims are funded by NHC and their reinsurers. The estimated net ultimate has increased by $6 million.

1.4.3 *Movements in outstanding claims liabilities – NIWE*

The table below summarises the movements in the paid, outstanding and ultimates for the NIWE. One point to note is that we have adjusted the 'date filter' we have used to classify claims as being included in the Auckland Floods or Cyclone Gabrielle events to align with that used by NHC. This has added some claims to the Auckland Flood event and removed some from the Cyclone Gabrielle event. In all other respects these two events are tracking very closely in line with expectations.

North Island Weather Events: movements to 31 December 2025

	Auckland Floods			Cyclone Gabrielle		
	As at 30-Jun-2025 $m	Movement $m	As at 31-Dec-2025 $m	As at 30-Jun-2025 $m	Movement $m	As at 31-Dec-2025 $m
Central estimate claims excl. CHE (undiscounted)						
Ultimate	206	+5	212	149	-2	148
Less: paid to date	186	+4	190	117	+1	119
Outstanding	21	+1	22	32	-3	29
Discount to NPV	(0)	+0	(0)	(1)	+0	(0)
Risk margin at 85% PoA	9	-2	7	12	-6	6
Outstanding at 85% PoA	**29**	**-1**	**28**	**43**	**-9**	**34**

For the Auckland Floods:

- The estimated ultimate claims cost has increased by $5 million.
- $4 million has been paid since June 2025.
- Therefore the outstanding has increased by $1 million
- As claims have been settled the impact of discounting for the time value of money has reduced and the risk margin has been partly released.

The movement in ultimate claims is primarily as a result of the inclusion of extra claims after changing the loss date filter for this event to a wider date period.

The Cyclone Gabrielle movement is in the opposite direction as some claims have been reclassified to the Auckland Floods.

1.4.4 Movements in outstanding claims liabilities – KEQ

The outstanding claims liabilities in respect of the Kaikōura earthquake are minimal as we estimated that 99% of costs related to the event have now been paid. Details are provided in Section 5.3.

1.4.5 Movements in outstanding claims liabilities – other

The other events (not CES, NIWE or KEQ) are referred to in this report as business as usual ('BAU') events. The outstanding claims liabilities for BAU events increase as new events occur and decrease as previous events are paid.

Details are provided in Section 5.

1.4.6 Risk margin

We have undertaken a review of the basis by which the risk margin has been derived. This was based, once again on the 2008 paper, A Framework for Assessing Risk Margins by Marshall, Collings et al, which sets out a comprehensive process by which the actuary can set their internal and external systemic risk factors. This is an authoritative paper used by many actuaries to construct the variability within their outstanding claims distributions.

The conclusion of this review led to the following changes:

- The internal and external systemic risk factors for the CES events were increased.
- The internal and external systemic risk factors for the other events were decreased.

Overall the risk margin (as a percentage of the central estimate outstanding claims) has increased from 34% to 37% although there are bigger movements within the events as shown in the following table.

All EQC claims
Comparison of risk margins from 30 June 2025 ILVR

	All Periods					
	CEQ $m	KEQ	AKFLDS $m	CGAB $m	BAU $m	Total $m
Previous basis: 30 June 2025						
Net OSCL (central estimate, discounted)	326	2	20	31	29	410
Net risk margin (85% PoA)	109	1	9	12	7	138
Net OSCL (85% PoA, discounted)	435	3	29	43	37	548
Risk margin as % of central estimate	33%	42%	45%	37%	25%	34%
Current basis: 31 December 2025						
Net OSCL (central estimate, discounted)	300	2	21	28	28	380
Net risk margin (85% PoA)	126	1	7	6	3	143
Net OSCL (85% PoA, discounted)	426	3	28	34	32	523
Risk margin as % of central estimate	42%	36%	31%	20%	12%	37%

The central estimate outstanding claims liabilities have decreased by 7%. The risk margin % has increased by 11%. Due to these offsetting impacts, the risk margin in dollar terms has increased by only $5 million.

1.5 Results – premium liabilities and liability adequacy test

The table below shows the result of the liability adequacy test.

Liability adequacy test as at 31 December 2025

	Result as at Dec-2025 $m	Compare: Jun-2025 $m
Unearned premium reserve	464	465
Premium liabilities (net of reinsurance)		
Central estimate	622	604
Risk margin to achieve 75% PoA	0	0
Premium liabliities at 75% PoA	622	604
Additional unexpired risk reserve	**158**	**139**

- The unearned premium reserve is $464 million.
- The premium liabilities are estimated at $622 million. This is the estimate of claims, expenses and future reinsurance costs associated with the unexpired risk as at 31 December 2025.
- The distribution of potential future claims is heavily skewed due to the possibility of future earthquake events. This results in a central estimate (mean) which is higher than the 75th percentile. Therefore, at a 75% PoA, no risk margin is required.
- There is an estimated deficiency of $158 million. An additional unexpired risk reserve is required to recognise this deficiency.

The additional unexpired risk reserve has increased since June 2025. This is mainly due to inflation in claims and expenses and, to a lesser extent, lower interest rates reducing the impact of discounting for the time value of money.

Further details are provided in Section 7.

1.6 Recommendations

1.6.1 Previous recommendations

None.

1.6.2 Current recommendations

None.

1.7 Uncertainty

The most significant area of uncertainty regarding the outstanding claims liabilities relates to the Canterbury earthquakes claims, particularly the tail of reopened claims. There is a risk that reopened claims will continue for longer than we have estimated. We have captured some of this risk by including a risk margin, but it is not an upper limit. Calibrating the risk margin to an 85% probability of adequacy means that we estimate there is a 15% chance that actual costs will exceed the total provision.

There is some remaining reinsurance for EQ1, but it is likely that this will be exhausted, so the majority of the variability will be borne by NHC.

The uncertainty related to the North Island Weather Events is reducing as claims are settled, although there remains a risk that costs will exceed our estimates.

In Appendix G we provide further discussion on the sources of uncertainty.

1.8 Use of this report

We understand that NHC will rely on this ILVR when preparing its financial statements as at 31 December 2025. We know of no reason why reliance should not be placed on this ILVR.

This report should be considered in its entirety. Individual sections of the report, including the Executive Summary, could be misleading if considered in isolation from each other.

This report is addressed to NHC and should not be provided to or used by any other party (except as noted in Appendix G.4) without the express written permission of Melville Jessup Weaver. This limitation has been provided with the intention of preventing the use of the report for purposes for which the analysis was not intended. MJW will not be liable for the consequences of any third party acting upon or relying upon any information or conclusions contained within this report.

1.9 Materiality

Throughout the valuation process we have considered the relative materiality of each component, both to other parts of the valuation and to the entirety of NHC. The level of materiality for each component then determines the degree of analysis, review, precision and prominence in this report.

1.10 Currency

Unless otherwise indicated, all amounts in this report are stated in New Zealand dollars and are net of GST (i.e. they exclude GST).

1.11 Professional standards

This report has been written to comply with:

- Professional Standard No. 30 (Valuations of General Insurance Claims) of the New Zealand Society of Actuaries.
- Public Benefit Entity International Financial Reporting Standard 4 Insurance Contracts (PBE IFRS 4).

A separate report will be produced summarising the assets and liabilities according to PBE IFRS 17.

1.12 Authors

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2 Review of components

2.1 Scope of outstanding claims liabilities

We have carried out a review of the various cost components that are being incurred to ensure that these are being appropriately treated in the insurance provisions.

The elements that should be included within the insurance provision are guided primarily through the accounting standard, PBE IFRS4 Insurance Contracts. Under this standard, the provision shall include claims costs associated with each claim, including the direct and indirect claims handling costs incurred in settling the claims.

We have also referred to the accounting standard, PBE IPSAS19 which states that an element shall be included with a provision when:

- There is a legal or constructive obligation on NHC from a past event
- It is likely that a payment will be made, and
- A reliable estimate can be made of the amount of the obligation.

2.1.1 Outstanding claims liabilities

The outstanding claims liabilities relate to future claim payments for events that incurred prior to the valuation date. In respect of these future claim payments:

- Some of these types of payments may have historical trends to help inform future payments.
- Some historical payments may be expected to stop or be immaterial or out of scope and therefore not require a provision.
- Finally, there may be new or emerging cost categories that have no historical payments to help inform the expected future costs.

All historic cost components will be found in the financial management information system (FMIS).

Therefore in order to carry out a review of the appropriateness of items included in the outstanding claims liabilities, we have:

- Reviewed every historic account code in the FMIS to assess whether it requires a provision, and
- Discussed latent claims issues with s9(2)(h) and other NHC staff.

For the purposes of the discussion in Section 2.1.2 below, we have categorised costs components into the following categories:

- claims settlement costs:
  - claims management system
  - FMIS (i.e. other claims settlement costs)
- non-claims settlement costs:
  - direct (fees)
  - indirect (CHE)
- Latent.

2.1.2 *Categorisation process*

The process by which cost components were categorised was to analyse the trial balance for NHC for the most recent year. The account codes relating to expenses were then divided into:

- Insurance-related expenses that should be captured in CHE or as part of Fees
- Non-insurance related expenses (such as research costs)
- Claims settlement costs that pass the threshold to require a provision
- Claims settlement costs that do not pass the threshold to require a provision.

The table below summarises the provisions that have been allowed for in this valuation.

Category	Event			
	CES	BAU	KEQ	NIWE
Claims settlement costs				
CMS FMIS	Reopened provision Unclaimed damage Temporary accommodation* Discretionary & other costs s9(2)(i) On-Sold costs**	Open claims +IBNR +Reopened	Open claims +Reopened	Open claims +IBNR +Reopened
Non-claims settlement costs				
Direct	Fees	CHE	CHE	Fees
Indirect	CHE	CHE	CHE	CHE
Latent claims	Insurer Finalisation Mathias Land			s9(2)(i)

*Temporary accommodation is a newly created provision for this valuation

**On-Sold costs refers to the undercap claims costs, temp accommodation costs s9(2)(h)

For a discussion on each of these components, please refer to the ILVR Assumptions Report.

3 Canterbury earthquake sequence claim liabilities

NHC continues to manage claims from the Canterbury earthquake sequence. The principal components that will affect the ultimate cost are:

- Open and future reopened building claims.
- NHC's costs in respect of On-Sold properties, including:
  - The undercap components of Crown On-Sold properties.
  - NHC ex gratia payments including for Temporary accommodation costs.
- s9(2)(i) [redacted]
- Legal challenges.
- Other building and land claims (primarily of a legal nature)
- Claims Handling Expenses (CHE).

3.1 Scope of outstanding claims liabilities

The following components have provisions within the Canterbury earthquake sequence for this valuation:

- Reopened building claims
- Direct fees
- Unclaimed damage
- Temporary accommodation
- Discretionary and other costs
- s9(2)(i) [redacted]
- On-sold costs (relates to all costs except those that are being covered by Treasury as part of the Crown On-sold programme)
- Insurer Finalisation
- On-sold legal challenge (the 'Mathias' case)
- ILV legal challenge
- CHE.

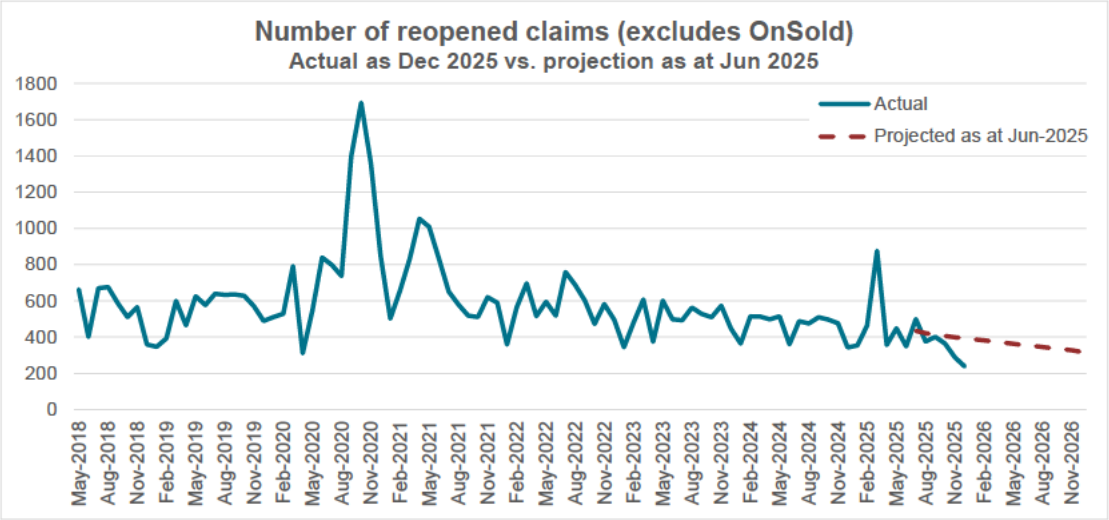
The reopened building claims component acts as a driver for a number of other components above as these are expected to be incurred in a similar pattern to the reopened building claims. The reopened building claims are discussed further below.

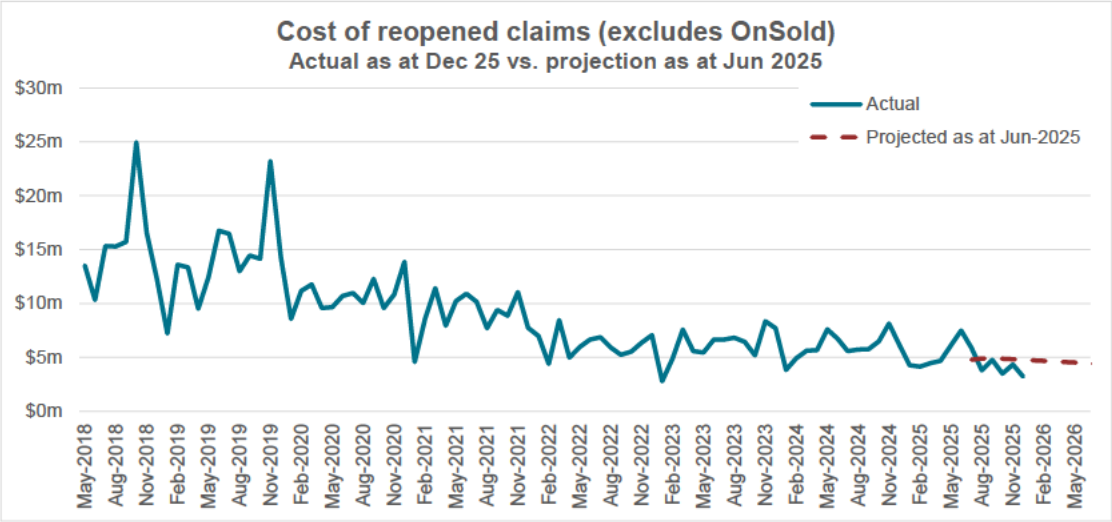
s9(2)(i) [redacted]

The remaining four components (Insurer Finalisation, Mathias, ILV and CHE) have had little to no change to their quantum.

3.2 Open and future reopen claims

The following charts illustrate the actual experience since the previous valuation against that which was expected. We would highlight that the numbers of claims shown relate to every case where a claim has reopened, regardless of the reason. This will include a significant number of administrative reopens – which aren't typically reported in other management reports.





There has been a noticeable drop in the reopen experience over the past six months, both in terms of the number and cost of reopened claims. Potential reasons for this include:

- A response to NHC considering its Limitations Policy to reopening claims
- A seasonal dip in claims toward the end of the calendar year.

s9(2)(g)(i) [redacted]

We have discussed this with NHC and decided that, whilst there is emerging experience to suggest we could relax the reopen assumptions, this experience is not yet definitive enough to warrant a change in assumptions. Therefore we have retained the same claims reopen rate curve and non-zero rate that was used at the previous valuation. We will continue to monitor the experience through to June 2026 and consider updating the assumptions at that point.

Notwithstanding, the fall in reopening activity means that the current pool of closed claims is slightly older (have been closed for longer) than at the previous valuation. Therefore these claims sit further along the reopen rate curve and are less likely to reopen, leading to a small reduction in the outstanding provision.

3.2.1 Financial impacts

The financial impact is summarised in the table below. Note that these figures are undiscounted.

Summary of Canterbury building claims open and reopen estimates
Excludes OnSold

	As at Dec-2025	As at Jun-2025	Expected at Dec-2025
Number of currently open properties	745	730	752
Number of future reopened properties	17,434	20,116	17,649
Cost to settle currently open properties	$12m	$12m	$8m
Cost to settle future reopened properties	$230m	$262m	$238m
Total outstanding in respect of Canterbury building claims	$241m	$274m	$245m

Considering the overall impact:

- The estimated outstanding claims at June 2025 were $274 million.
- All else being equal, we would have expected this to reduce to $245 million by December 2025.
- The reduced reopen experience and older demographic profile means that the outstanding claims at December 2025 are now estimated at $241 million i.e. $4 million less than we might have expected.

3.3 Other building claim payments

There are a number of other components which relate to reopened Canterbury building claims but are not captured in the reopened modelling above due to the different way that they are reported. For these components, we analysed their costs relative to the building claims payments in the reopened model and made assumptions regarding their proportion going forward. The table below summarises the chosen assumptions and resultant provision for each of these components.

Other payments (% of building payments)

Cost category	Assumption %	$000	c.f Jun 2025 %
Discretionary payments	15.0%	36,213	15.0%
Unclaimed damage	6.0%	14,485	6.0%
Temporary Accommodation	0.9%	2,173	n.a
s9(2)(i)	0.5%	1,159	n.a
Fees	12.0%	28,970	10.0%
Total	34.4%	82,999	31.0%

3.4 NHC costs in respect of On-Sold claims

NHC has incurred additional costs in respect of 'On-Sold' properties, these being those where a property with assessed undercap damage was sold before overcap damage was then discovered. In many cases, private insurers will only provide limited cover to the new owner resulting in an insurance gap.

3.4.1 Crown On-Sold programme

Some of these properties qualified for the Crown On-Sold programme and their overcap costs are being met via a Crown ex-gratia payment (managed by NHC and reimbursed by Treasury). These payments are out of scope of this report. However, the temporary accommodation costs and any additional support provided by NHC are included in the scope of the valuation liabilities. These are discussed in a separate paper.

3.4.2 s9(2)(i)

[redacted]

3.4.3 Financial impact

The liability in respect of these properties is advised by NHC as part of their monitoring of the On-Sold programme.

The table below summarises the provisions held in respect of those properties that have qualified for the Crown programme (On-Sold) and where the undercap costs fall to NHC s9(2)(i) [redacted]

Summary of On-Sold provisions

Component	Dec-25 $m	Jun-25 $m
On-Sold with potential undercap liability	2.2	6.0
s9(2)(i)	[redacted]	[redacted]

3.5 Insurer Finalisation

NHC reached concluding settlements between October and December 2020 with large insurers in respect of finalising liabilities for land and building claims. Since that time there has been some discussion with one other insurer, who presented NHC with details of their claim in 2023.

We had determined the provision for this claim on a similar basis to previous settlements. This is shown below. We would stress that this is in no way an indication that the claim has merit.

	EQ1 $000s	EQ2 $000s	EQ3 $000s	EQ4 / AS $000s	Total $000s
s9(2)(i)					

3.6 Litigation

There are two representative actions that are proceeding through the Court process. These are described below.

On-sold class action

This action relates to properties that were initially assessed with undercap damage, were sold and were subsequently determined to have overcap damage. In some of these cases there is no or limited private insurance available to the new owner, resulting in an uninsured gap.

The new homeowner alleges that NHC owed a duty of care to the new homeowners when it was investigating and settling claims with the previous owner. The new homeowner brings a claim in negligence to recover the remedial costs they claim are necessary to reinstate the property to the standard required by the EQC Act 1993.

We have established a provision for this legal possibility although we would stress that is in no way an indication that the actions are believed to have merit. The provision has been determined by reference to:

- The total number of homeowners that have registered for the action.
- The estimated number that would be deemed to be eligible.
- The estimated costs associated with resolving the shortfall (as alleged by the litigant).
- s9(2)(h)
- Estimating the probability that the action will proceed to court and the probability that if it proceeds to court, that it will be successful.

s9(2)(i)

3.6.1 ILV land class action

This claim relates to land settlements for Increased Liquefaction Vulnerability ('ILV') and whether Diminution of Value ('DoV') was an appropriate settlement methodology. There have been no significant developments in respect of this claim since the previous valuation and our approach to estimating the potential cost to NHC is largely unchanged. We have established a provision for this although we would stress that is in no way an indication that the actions are believed to have merit.

s9(2)(h)

s9(2)(h) [redacted]

s9(2)(i) [redacted]

3.7 Canterbury CHE

The future Claims Handling Expenses ('CHE') incurred as a result of the Canterbury earthquake sequence are largely dependent on the level of reopened claims, their complexity, and for how long they continue to reopen.

In respect of the 2026 financial year, we have relied on the NHC budgeted expenses.

In respect of years beyond FY2026, we have projected the CHE in line with the expected future reopen activity.

3.7.1 Actual and projected CHE costs

The table below illustrates the actual, budgeted and projected costs as at the current and previous valuations.

Category	Year ended	Dec 25 $m	Jun 25 $m	Change $m
Paid to date				
	30 Jun 11	225	225	-
	30 Jun 12	301	301	-
	30 Jun 13	262	262	-
	30 Jun 14	244	244	-
	30 Jun 15	203	203	-
	30 Jun 16	148	148	-
	30 Jun 17	90	90	-
	30 Jun 18	56	56	-
	30 Jun 19	61	61	-
	30 Jun 20	49	49	-
	30 Jun 21	32	32	-
	30 Jun 22	27	27	-
	30 Jun 23	21	21	-
	30 Jun 24	22	22	-
	30 Jun 25	22	22	-
	30 Jun 26	11	-	
Budget FY2025				
	30 Jun 26	10	22	(1.2)
CHE beyond June 2026				
		58	57	1.2
Ultimate CHE		1,842	1,842	-

The estimated nominal ultimate CHE is $1,842 million. After allowing for future inflation, the expected ultimate CHE will be $1,850 million.

The CHE expressed as a ratio of the ultimate claims costs is shown below.

Canterbury earthquakes only
CHE - 31 December 2025 valuation

	EQ1	EQ2	EQ3	EQ4	AS	Total
Total CHE $m	602	993	144	48	62	1,850
CHE % of gross ultimate excl CHE	17.2%	15.5%	30.1%	34.6%	25.7%	17.2%
CHE % of gross ultimate incl CHE	14.7%	13.4%	23.1%	25.7%	20.5%	14.6%
30 June 2025 comparative						
Total CHE $m	603	994	144	48	62	1,850

3.8 Valuation results – Canterbury earthquakes

3.8.1 Estimated ultimate claims costs – Canterbury earthquakes

The table below summarises the main components involved in estimating the ultimate cost of claims to NHC arising from the Canterbury earthquakes as at 31 December 2025.

Canterbury earthquakes only
Estimated ultimate claims costs (undiscounted) - 31 December 2025 valuation

	EQ1 $m	EQ2 $m	EQ3 $m	EQ4 $m	AS $m	Total $m	30 Jun 2025 $m
Claims costs paid to date *							
Land	65	457	51	4	1	579	579
Building	3,179	5,451	381	118	220	9,348	9,307
Contents	126	304	29	12	7	478	478
CHE	574	957	138	46	58	1,773	1,762
Total	3,945	7,169	599	179	286	12,178	12,127
Estimated future							
Land	3	27	(1)	(0)	-	30	30
Building	133	181	18	5	12	349	385
Contents	0	-	-	-	-	0	0
CHE	28	36	6	3	4	77	88
Total	164	245	24	8	16	456	503
Gross ultimate incurred claims cost - central estimate							
Land	69	485	51	4	1	609	609
Building	3,312	5,632	400	123	232	9,698	9,693
Contents	126	304	29	12	7	478	478
CHE	602	993	144	48	62	1,850	1,850
Total	4,108	7,413	623	187	302	12,634	12,630
30 June 2025 comparative							
Gross ult inc claims cost - cent est	4,111	7,406	623	187	303	12,630	

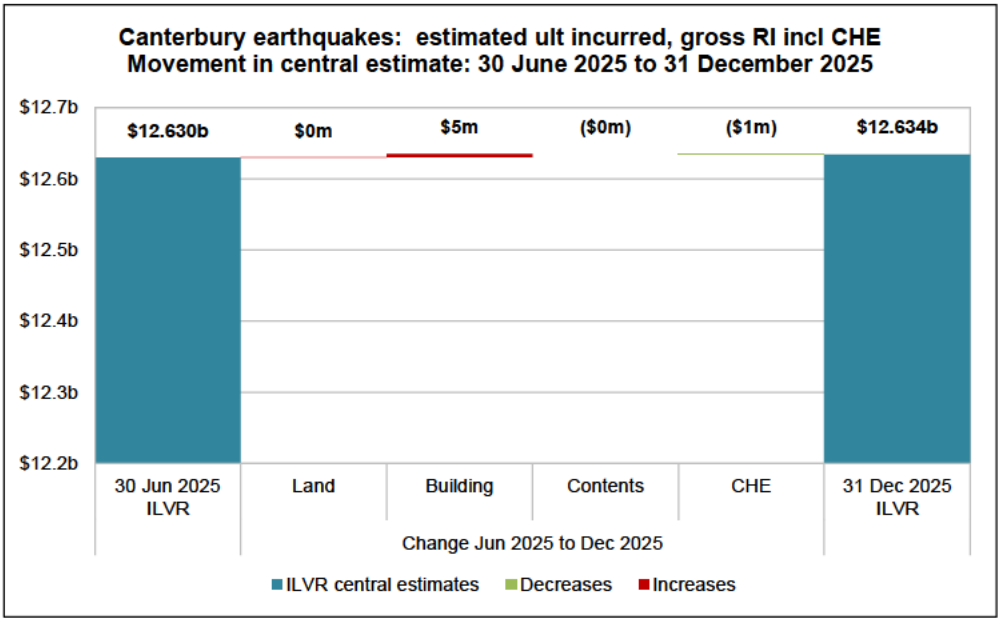
Derivation of net claims

The derivation of the net claims (incurred and outstanding) is determined mechanically from the modelling of the gross claims process and the reinsurance programme in place at the time of the event.

There are some gross claims categories that do not attract reinsurance recoveries. These are deducted from the gross claims amounts before the contractual reinsurance arrangements are applied to produce the net incurred claims costs.

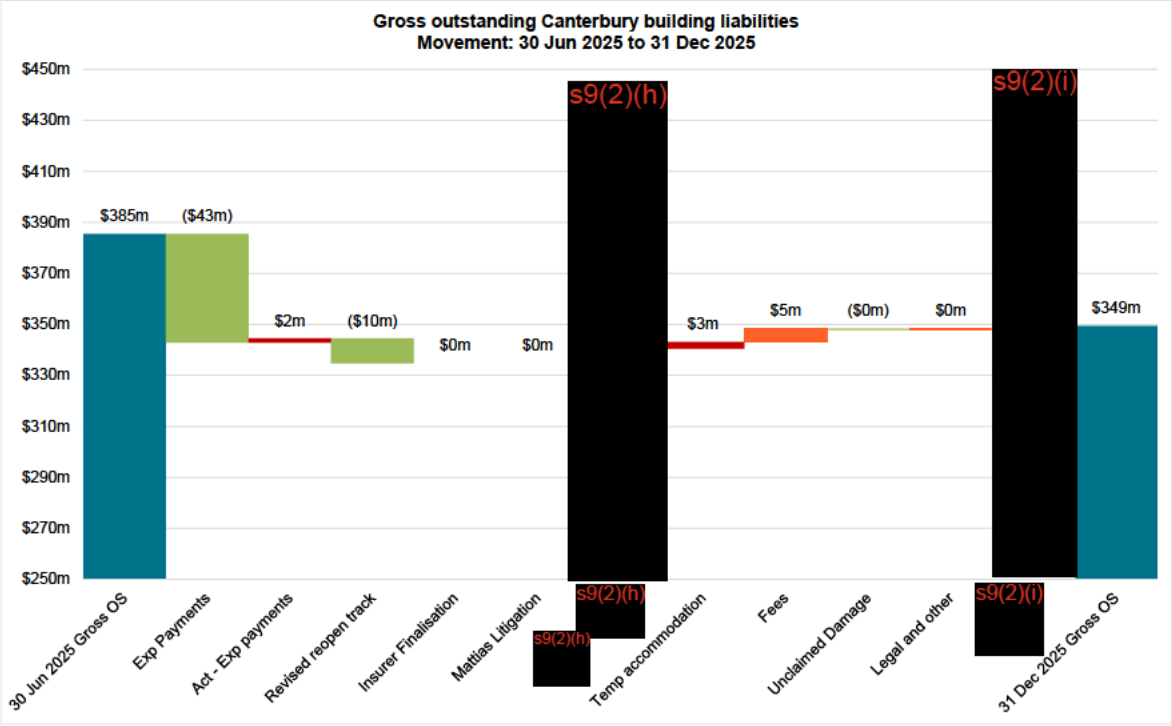
3.8.2 *Estimated ultimate claims costs – movement since 30 June 2025 - Canterbury only*

The estimated ultimate gross claims cost for Canterbury earthquake events has moved from $12.630 billion as at 30 June 2025 to $12.634 billion as at 31 December 2025. Shown below are the components of the change in estimated ultimate incurred liabilities.



The overall increase in ultimate claims cost ($4 million) is mostly a result of movements in the building claims costs ($5 million).

Within the relatively small building claims costs movement, there are a number of offsetting movements as shown graphically below:

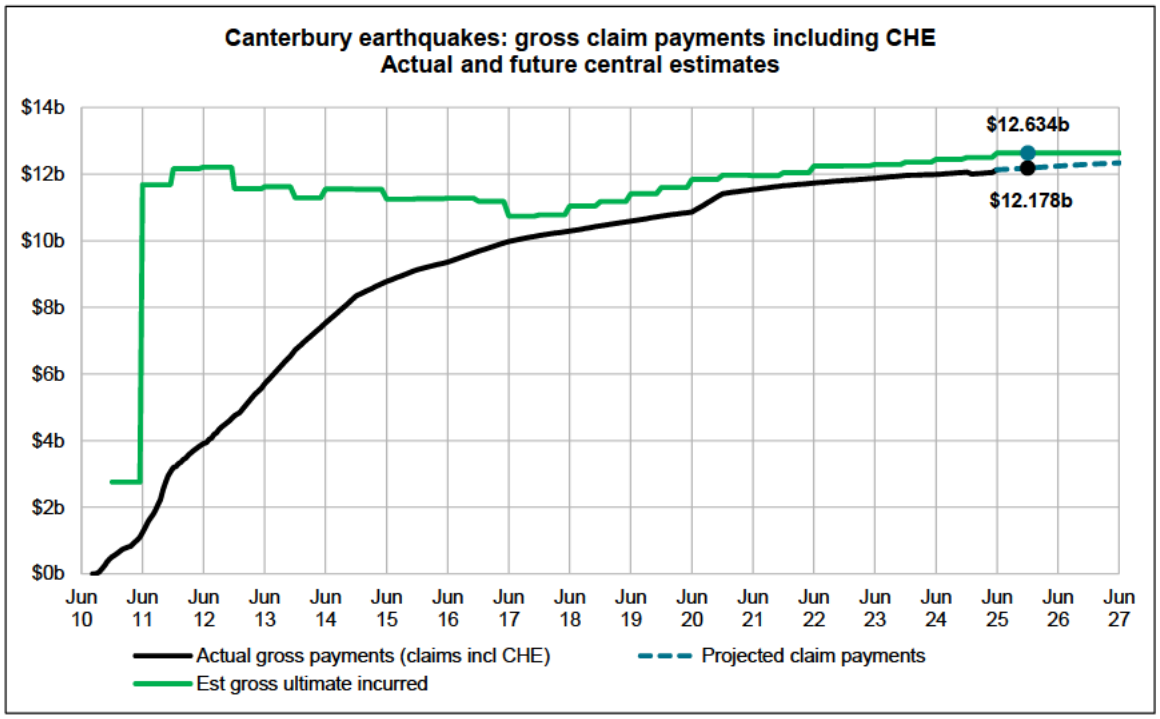


- -$10 million: revisions to the reopened building provision.

- s9(2)(h) [redacted]
- +$3 million. An allowance for temporary accommodation costs for the general Canterbury claims (non-Crown Onsold).
- +$5 million: Fees. A combination of an increase in the provision ($1.5m) plus the payments over the period.
- s9(2)(i) [redacted]

3.8.3 *Gross claim payments – comparison to previous estimates*

The following chart shows actual gross claim payments for Canterbury earthquakes to 31 December 2025 (including EQR payments and CHE) as the solid black line. Projected payments are shown as the dotted line. The solid green line shows the six-monthly updated estimate of ultimate claims costs.



3.9 Movement analysis

A movement analysis and details on the key components can be found in Appendix E.

3.10 Key areas of judgement

In undertaking the valuation there are several areas of judgement that will affect the results. The area with the highest level of uncertainty is:

- **The proportion of closed properties reopening.** Our assumptions regarding the reopen claim probabilities are based on an analysis of reopen experience. However, different conclusions arise depending upon the period over which the analysis is undertaken. Also, as we are determining assumptions for an event, using the experience from the event, we do not have any experience to inform what might happen to the oldest closed claims.

As part of our assumptions review, we investigated whether any additional factors could be utilised to provide additional insight into the propensity for claims to reopen and their subsequent cost. Our review found that, while some factors have a good degree of predictive power, they offered limited additional benefit to those already being used in the existing reopen model.

3.11 Sensitivity testing

We have carried out sensitivity testing on key provisions within the Canterbury earthquake model. These are shown in Appendix F.

4 North Island weather events

This section briefly summarises the development of the claims experience from the two North Island Weather Events and the results of the modelling. Further detail is shown in Appendix C and available upon request.

4.1 Event details

The North Island events referred to in this report include:

- The Auckland Anniversary Floods: a flooding event primarily affecting Auckland properties around 27-28 January 2023.
- Cyclone Gabrielle: a cyclone causing widespread damage (but particularly around the east coast of the North Island, as well as landslips in Auckland) around 13-14 February 2023.

Liabilities related to any other event (other than the Canterbury Earthquake Sequence or the Kaikōura earthquake) are captured within the BAU model.

4.1.1 Identifying North Island event claims

The information provided by the private insurers in respect of claims does not have an event code. There is no event field that identifies what weather system may have caused the loss and therefore whether a claim relates to the North Island Weather Events.

It is necessary therefore that a rule is used to determine whether a particular claim is classified as belonging to one of the two North Island Weather Events or whether it is a BAU claim. For the purposes of our modelling, the rule we have been following uses a combination of:

- loss cause (storm / landslip) and
- date of loss:
  - AKFLDS: 27 Jan 2023 to 3 Feb 2023
  - CYGAB: 11 Feb 2023 to 17 Feb 2023

NHC applies internal rules to identify claims associated with large events, primarily based on loss cause and date of loss. Future enhancements include incorporating geographical location.

We have recently been informed of these internal rules and have therefore adjusted our date ranges so that they match NHC's internal rules. These ranges are:

- AKFLDS: 27 Jan 2023 to 11 Feb 2023
- CYGAB: 12 Feb 2023 to 19 Feb 2023

The impact of adjusting these ranges is that we have slightly more claims associated with the Auckland Anniversary event and slightly fewer claims associated with Cyclone Gabrielle. The table below illustrates the impact in reported claim numbers.

Reported claims

	Auckland Floods			Cyclone Gabrielle		
	Land	Building	Total	Land	Building	Total
NHC basis	4,818	1,588	6,406	4,064	1,032	5,096
MJW basis	4,707	1,554	6,261	4,113	1,047	5,160
Change	111	34	145	(49)	(15)	(64)

There is an offsetting opposite adjustment to the claims captured within the BAU model.

4.2 Overall approach

The model used for each of these events projects:

- the remaining number of claims yet to be reported.
- the average cost per claim finalised.
- the closure pattern for these claims.

The first assumption (claim number projection) is split between land claims and building claims. The second (average claim size projections) is split between land/building claims as well as between settlements and fees. We made an explicit allowance for inflation using an index which combines inflation in residential building supplies and labour costs.

Lastly, we have included a reopen claim allowance to reflect the fact that some closed claims may reopen in future.

This approach is the same as that used for the June 2025 valuation, but with updated assumptions based on the emerging experience for the events.

4.3 Actual vs. expected

4.3.1 Number of claims reported

The number of claims reported has materially peaked. The final number of claims may change very slightly from late reported claims (from the insurer) or from claims that have been miscoded under a different natural disaster event. There is more detail on the development of the reported claim patten in the ILVR Assumptions Report.

Analysis of experience

In the ILVR Assumptions Report, we provide detail on the analysis undertaken to reset the projected claim numbers for each of the cases above.

4.3.2 Average cost per claim

The average cost assumptions were set by reference to:

- Actual experience from these weather event claims,
- Average observed claims costs for these and other weather events, and
- Ultimate incurred information provided by insurers.

The process by which these assumptions have been reset is detailed in the ILVR Assumptions Report.

4.4 Model assumptions

4.4.1 Number of claims

The table below shows the estimated number of ultimate claims used for this valuation, (alongside a comparison to the assumptions selected for the June 2025 valuation).

Assumption ranges

	Auckland Floods		Cyclone Gabrielle	
	Land	Building	Land	Building
Reported to date:	4,818	1,588	4,064	1,032
Selected assumption range:				
Min	4,818	1,588	4,064	1,032
Central	4,821	1,588	4,066	1,032
Max	4,828	1,589	4,072	1,034
Compare: central assumptions from June 2025 valuation				
Central	4,697	1,552	4,106	1,045

The expected ultimate number of claims has changed compared to the previous valuation but this is almost wholly due to the changes made to the way that we have identified NIWE claims as discussed in Section 4.1.1.

4.4.2 Reopen claims

The table below shows the assumption and the number of reopen claims assumed for each category. The assumed percentage has not changed.

Assumption ranges

	Auckland Floods		Cyclone Gabrielle	
	Land	Building	Land	Building
Selected assumption range:				
Central	4,821	1,588	4,066	1,032
Reopened %	3%	3%	3%	3%
Reopened #	145	48	122	31

We have recently been provided with additional data that shows the reopening behaviour for each claim in the NDRM. Unfortunately the reopening behaviour does not match up well to the dates that payments have been made and are working with NHC staff to better understand how we can use this data to inform the reopening claims assumptions. We can see that out of the 11,502 claims in our dataset, there are 546 (5%) reopen occurrences and 1,714 reopen (admin) (15%) occurrences. Therefore, while there appears to be significant reopening behaviour it is not yet clear the financial impact that these reopening claims have.

We anticipate being able to utilise this transactional information for the June 2026 valuation.

4.4.3 *Average cost per claim*

The table below summarises the average cost assumption used for this valuation, as compared to the assumptions used in the previous valuation. These apply to all claims, including the assumed population of reopened claims.

Average cost per claim (in $ effective Mar-2023)
(includes those closed at zero cost)

	Auckland Floods		Cyclone Gabrielle	
	Land	Building	Land	Building
	Auckland Fl	Auckland Floo	Cyclone Gat	Cyclone Gabri
Settlement				
Min	22,000	19,000	16,000	19,000
Central	23,000	19,250	16,250	20,100
Max	25,000	20,500	18,000	22,000
Fees				
Min	9,250	2,250	7,000	1,900
Central	9,500	2,500	7,250	2,050
Max	10,500	3,000	8,000	2,250
Compare: central assumptions from June 2025 valuation				
Settlement	23,000	19,250	16,250	20,100
Fees	9,500	2,500	7,250	2,050

The experience since the previous valuation has closely mirrored that which has been expected and consequently, there have been no changes since the previous valuation.

4.4.4 s9(2)(i) [redacted]

[redacted]

[redacted]

[redacted]

4.5 Results

4.5.1 Number and cost of claims – Auckland Anniversary Floods

The table below shows the estimated ultimate number (including expected reopen claims) and cost of claims for the Auckland Anniversary Floods, split into that which has been paid already and that to be paid in future i.e. the outstanding claims liabilities. We have also included a comparison to the estimated ultimate from the June 2025 valuation. The table excludes indirect claims handling expenses (CHE).

Auckland Floods
Central estimate as at 31 December 2025

	Number of claims	Cost of claims Settlement	Fees	Total
Paid & reported to date	6,406	$141.0m	$49.2m	$190.2m
Future	198	$14.8m	$6.6m	$21.4m
Ultimate	6,604	$155.9m	$55.8m	$211.6m
c.f. ultimate as at June 2025	6,439	$151.9m	$54.3m	$206.2m

These figures are central estimates i.e. the mean of the estimated distribution of results. There has been an increase in the expected claims costs from the Auckland Flood event, but this is primarily due to the change in event loss date definitions.

4.5.2 Number and cost of claims – Cyclone Gabrielle

The table below shows a similar analysis for Cyclone Gabrielle. s9(2)(i) [redacted] The table excludes indirect claims handling expenses (CHE).

Cyclone Gabrielle
Central estimate as at 31 December 2025

	Number of claims	Cost of claims Settlement	Fees	Total
Paid & reported to date	5,096	$87.8m	$31.1m	$118.9m
Future	158	$24.6m	$4.1m	$28.8m
Ultimate	5,254	$112.4m	$35.2m	$147.7m
c.f. ultimate as at June 2025	5,310	$113.5m	$35.6m	$149.1m

There is a reduction in the expected claims costs from Cyclone Gabrielle Flood event, but this is also primarily due to the change in event loss date definitions.

4.5.3 Aggregate costs including CHE

The results shown in the sections above include claim settlement costs and direct claims handling expenses (fees). To this we need to add the indirect costs that NHC incurs in supporting these claims. This is relatively small as NHC only attributes those additional internal costs that have been incurred as a result of supporting the event. The table below summarises the claims settlement costs, direct claims handling expenses (fees) and the indirect claims handling expenses (CHE) for the two North Island weather events.

North Island weather events
Estimated ultimate costs as at 31 December 2025

	AKFLDS	CGAB
Settlement	$155.9m	$112.4m
Fees	$55.8m	$35.2m
CHE	$0.5m	$1.3m
Ultimate	$212.1m	$148.9m
c.f. ultimate as at June 2025	$206.7m	$150.3m

5 BAU & other claim liabilities

5.1 Estimated outstanding claims liabilities – BAU events

The central estimate outstanding claims (excluding CHE) for BAU events is $24 million as at 31 December 2025. The tables below summarise the quantum as at the valuation date, split by current year and prior period events. We have separately identified events prior to the most recent year-end (Jun-2025) and the previous half year (Dec-2024).

BAU outstanding claims liabilities
Undiscounted central estimate excl CHE

	Land $000s	Building $000s	Total $000s
Loss event/period:			
Dec-24 & prior			
August 2022 Severe Weather	1,214	441	1,655
Wellington (EQ, 25 km W, 30 km, 5.7)	0	169	169
Other events	6,297	2,347	8,644
Dec-24 & prior total	**7,511**	**2,957**	**10,468**
Jan-25 to Jun-25 total	**3,383**	**725**	**4,108**
Jul-25 to Dec-25			
Other events	7,604	1,817	9,421
Jul-25 to Dec-25 total	**7,604**	**1,817**	**9,421**
Total	**18,499**	**5,499**	**23,997**
c.f. previous valn	20,789	5,420	26,209

The table separately illustrates the losses from two named events, Nelson Floods (Aug 22) and the Wellington Earthquake (Oct 24).

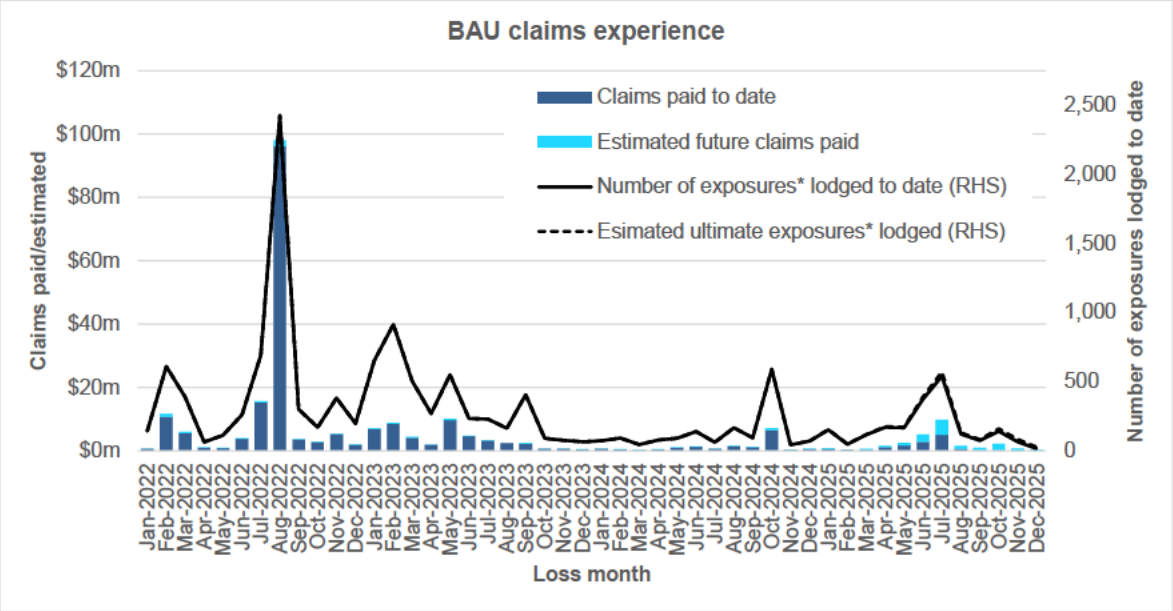
5.1.1 Impact of NHC cap changes

The NHC cap for building claims increased from $150,000 to $300,000 on policy renewal from 1 October 2022. Claims incurred from 1 October 2022 to 1 October 2023 could be on either cap, depending on when the policy renewed. Any claims incurred after 1 October 2023 will be on the new cap. Claims which occurred prior to June 2020 may be on $100,000 cap although there are very few (if any) of these still open.

5.2 Results by loss month

The chart below summarises by loss month:

- The amounts paid to date and estimated outstanding (left hand axis).
- The number of exposures reported to date and estimated ultimate (right hand axis)



- The majority of the costs from August 2022 comes from the Nelson and Marlborough Floods. This event is extremely significant, at levels approaching the magnitude of the two North Island weather events.

5.3 Kaikōura earthquake claim liabilities

5.3.1 Key issues

The outstanding claims liabilities in respect of the Kaikōura event is now very small, with only a small number of claims still open and very few reopening. The methodology is similar to that for the previous valuation, with updates to assumptions following recent experience.

5.3.2 Estimated future claims costs – Kaikōura earthquake

The table below summarises the estimated future costs in respect of the Kaikōura event.

Kaikōura earthquake
Summary of estimated future claims costs

	Land $m	Building $m	Contents $m	Total $m
Open claims*				
Case estimates**				0.7
IBNER				0.0
Estimated future cost	0.0	0.7	0.0	0.7
Future reopened claims				
Estimated future cost	0.0	1.8	0.0	1.8
Central estimate outstanding, undiscounted (excl CHE)				
All claims	**0.0**	**2.5**	**0.0**	**2.5**

*Includes closed claims that still have a case estimate
**Including post balance date adjustments where relevant

At a central estimate level, we have not allowed for any systematic under/overestimation in case estimates, that is we have not added any Incurred But Not Enough Reported (IBNER) on top of the case estimates. However, the estimated risk margin does allow for some variability around the actual outcome.

The future reopened claims provision is based on a projection of reopened claims using recent experience. Further details are available upon request.

5.3.3 Estimated ultimate claims costs – Kaikōura earthquake

The results from our Kaikōura model are shown below, along with comparatives from the previous two valuations. The 'claims costs paid to date' include amounts accrued but not yet paid within NHC's accounts (e.g. amounts invoiced by insurers but not yet paid). Case estimates are included as part of the 'estimated future' amounts.

Kaikōura earthquake only
Estimated ultimate claims costs (undiscounted) as at 31 December 2025

	Dec-2025 $m	c.f. Jun-2025 $m	c.f. Jun-2024 $m
Claims costs paid to date			
Land	10	10	10
Building	543	543	541
Contents	16	16	16
CHE	108	108	108
Total	677	677	675
Estimated future			
Land	-	-	-
Building	3	3	6
Contents	-	-	-
CHE	0	0	0
Total	3	3	6
Gross ultimate incurred claims cost - central estimate			
Land	10	10	10
Building	545	545	547
Contents	16	16	16
CHE	108	108	108
Total	680	679	681

The estimated ultimate cost of claims as at 31 December 2025 has remained relatively static compared to June 2025.

6 Overall results

6.1 All claims liabilities

6.1.1 Claims incurred vs outstanding claims liabilities

The gross incurred claims costs for all Canterbury and Kaikōura earthquake events, and the Auckland Floods and Cyclone Gabrielle weather events, incurred to 31 December 2025, include:

- Claims costs paid to date
- Claims costs expected to be paid in future (the OS claims liability).

The ultimate incurred claims costs are calculated in respect of all events except BAU.

It is not useful (or practical) to include ultimate incurred claims costs from BAU events as this would include a vast number of smaller events from different causes which may have been materially settled.

Where we have shown ultimate incurred claims, these amounts are shown excluding risk margins and no discounting has been applied. Where we have shown outstanding claims liabilities, these are discounted for the time value of money at risk free rates and include risk margins at the 85th percentile.

6.1.2 Ultimate and outstanding claims liabilities – all claims

The table below summarises the key components of the gross ultimate claims costs and the derivation of the outstanding claims liabilities ('OSCL') as at 31 December 2025. The net discounted OSCL at a probability of adequacy of 85% is $524 million.

All EQC claims
Gross ultimate claims costs to net outstanding claims liabilities - 31 December 2025 valuation

	EQ1 $m	EQ2 $m	EQ3 $m	EQ4 $m	AS $m	BAU $m	AKFLDS $m	CGAB $m	KEQ $m	Total $m
Gross ultimate claims excl CHE, undisc - central es	3,506	6,420	479	139	240		212	148	571	11,715
Claims handling expenses (CHE)	602	993	144	48	62		1	1	108	1,960
Gross ult claims incl CHE, undisc - central est	4,108	7,413	623	187	302	n.a.	212	149	680	13,675
Reinsurance recoveries, undiscounted - central est	(2,464)	(2,478)	(0)	0	0	-	0	0	0	(4,942)
Net ult inc claims incl CHE, undisc - central est	1,644	4,936	623	187	302	n.a.	212	149	680	8,733
Net claims costs paid to date	(1,024)	(3,734)	(462)	(134)	(228)		(190)	(119)	(569)	(6,459)
CHE paid to date	(574)	(957)	(138)	(46)	(58)		(0)	(1)	(108)	(1,883)
Discounting	(8)	(25)	(3)	(1)	(2)	(0)	(0)	(0)	(0)	(39)
Net OS including CHE, disc - central est	38	220	21	7	14	28	21	28	2	380
Net risk margin, diversified, 85% PoA	27	89	5	2	3	3	7	6	1	143
Net OS including CHE, disc - 85% PoA	65	309	26	9	17	32	28	34	3	523
30 June 2025 comparative	63	315	29	10	19	37	29	43	3	548

Risk margins

The derivation of the risk margins has been documented in the ILVR Assumptions Report. However, in summary, the process is that we created a model for each of the valuation components. Each model is run 10,000 times. This produces a distribution of outcomes for each component.

We then combined the components, allowing for:

- Correlations between the events and subclaims

- Systemic risk (model risk and environmental)

The central estimate claims cost is found by taking the mean value of the combined distribution; the 85% probability of adequacy estimate is found by taking the 85th percentile.

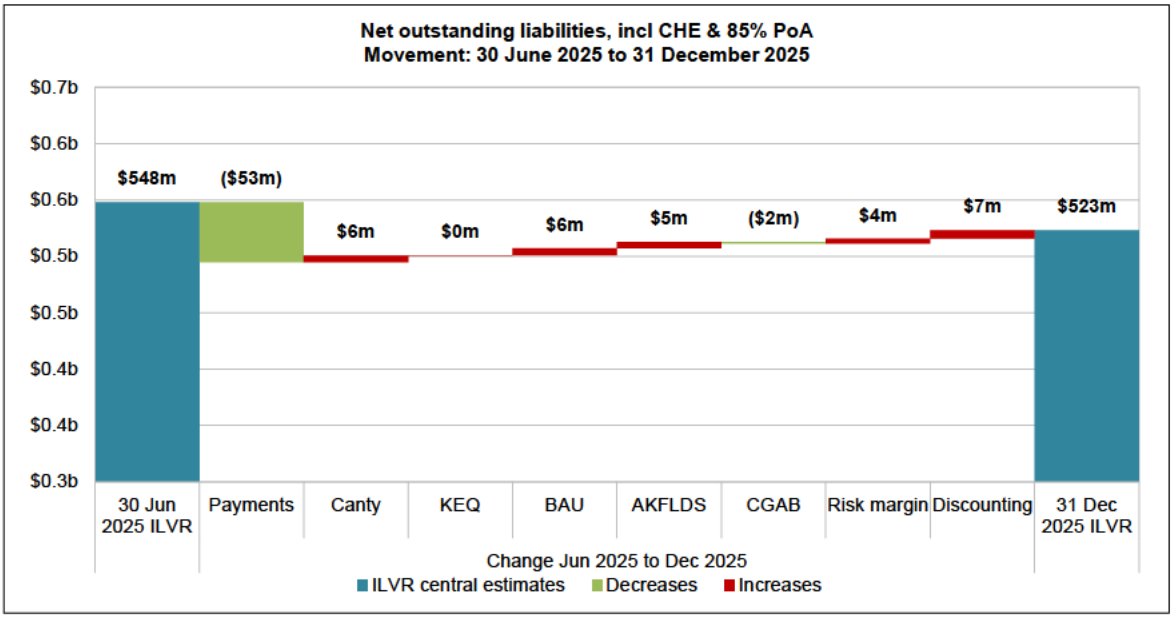
The systemic risk parameters have been selected by reference to the Institute of Actuaries of Australia paper, A Framework for Assessing Risk Margins by Marshall et al. This is a key factor that drives the overall distribution of claims.

The risk margin that is the produced is checked for reasonableness against a range of adverse scenarios to ensure it is reasonable.

6.1.3 *Movement in net outstanding claims liabilities – all claims*

The chart below shows the movement in the net outstanding claims liabilities since 30 June 2025.

The net OSCL (85% probability of adequacy, discounted) has decreased from $548 million as at 30 June 2025 to $523 million as at 31 December 2025.



After allowing for the $53 million of claims payments, the net outstanding claims liabilities have decreased by $25 million. This is caused by increases in provisions across almost all components.

There has been a relatively small increase in the risk margin.

7 Premium liabilities and liability adequacy test

7.1 Definition

PBE IFRS 4 requires NHC to test that the unearned premium reserve is likely to be adequate to meet the actual claims and expenses which will be incurred in respect of unexpired risk.

The unearned premium reserve represents the amount of levy income which relates to future coverage. It is recognised as a liability and is calculated by running that liability down on a straight-line basis over 12 months.

The premium liabilities are the estimated costs which will be incurred by NHC in meeting its obligations to administer policies and pay future claims which are incurred on existing policies. The liability adequacy test involves comparing the unearned premium reserve to the premium liabilities.

7.2 Key results

The table below summarises the result of the liability adequacy test.

Liability adequacy test as at 31 December 2025

	Result as at Dec-2025 $m	Compare: Jun-2025 $m
Unearned premium reserve	464	465
Premium liabilities (net of reinsurance)		
Central estimate	622	604
Risk margin to achieve 75% PoA	0	0
Premium liabliities at 75% PoA	622	604
Additional unexpired risk reserve	**158**	**139**

- The unearned premium reserve is $464 million.
- The premium liabilities are estimated at $622 million.
- There is an estimated deficiency of $158 million. An additional unexpired risk reserve is required to recognise this deficiency.

The additional unexpired risk reserve has increased since June 2025. This is mainly due to inflation in claims and expenses and, to a lesser extent, lower interest rates reducing the impact of discounting for the time value of money.

Further details are discussed in the following sections.

7.3 Methodology

The costs which will be incurred by NHC in meeting its obligations in respect of existing policies include:

- Administering policies until expiry
- Paying claims (and recovering from reinsurers)
- Meeting the costs of managing claims
- Purchasing reinsurance not already recognised in profit and loss

NHC does not manage policies as this is done by private insurers. However, NHC still incurs costs by continuing to operate until current policies are expired.

To estimate these components we have relied upon the levy pricing work and budgeting undertaken by NHC, as discussed in the following sections.

7.3.1 Unexpired risk

Domestic insurance policies in New Zealand typically cover a 12-month period and are written roughly evenly throughout the year. Therefore, the period of unexpired risk at any point in time will typically be around 6 months.

We have estimated the period of unexpired risk by comparing NHC's current unearned premium reserve against the actual and forecast levy income.

7.3.2 Policy administration expenses

The policy administration expenses were estimated based on the forecast operational expenses in the 2025 Budget and Economic Fiscal Update ('BEFU'). This involved:

- Removing any operational expenses which do not relate to NHC's insurance operations (e.g. research and development) or its ongoing obligations (e.g. underwriting costs).
- Estimating the portion of the BEFU forecast which relates to unexpired risk as at 31 December 2025.

7.3.3 Gross claims costs

We utilised the estimated claims costs from NHC's levy pricing work. This involved:

- Taking the annual average loss for each peril from NHC's levy pricing exercise (published in April 2025).
- Adjusting for differences in growth to 31 December 2025 from that forecast in the levy pricing work.
- Estimating the portion of claims costs related to unexpired risk as at 31 December 2025.

7.3.4 Reinsurance recoveries

We used the estimated reinsurance recoveries modelled by NHC for the 2025/26 reinsurance programme, adjusted to capture the portion related to unexpired risk as at 31 December 2025.

7.3.5 Claims administration expenses

We utilised the estimated claims administration expenses from NHC's levy pricing work, adjusted for changes in volume growth and based on the period of unexpired risk.

7.3.6 Future reinsurance costs

NHC purchases catastrophe reinsurance, generally for a 12-month period from 1 June to 31 May, although some reinsurance is purchased on a multi-year basis (such as the catastrophe bond). The reinsurance is provided on a 'loss occurring' basis and is recognised in profit and loss as it is paid. There is no liability on NHC's balance sheet at 31 December 2025 to recognise future reinsurance premiums which will be paid to cover future losses on existing policies. Therefore, the premium liabilities need to include an allowance for future reinsurance costs.

We have estimated the allowance for future reinsurance costs based on NHC's actual reinsurance premium for 2025/26, pro-rated to the period of unexpired risk. The period of unexpired risk extends beyond the current reinsurance programme which ends on 31 May 2026. We have assumed that reinsurance costs for the 2026/27 programme will be similar.

7.3.7 Detailed results

The table below summarises the premium liabilities and liability adequacy test.

Liability adequacy test as at 31 December 2025

	Flood/storm $m	Earthquake $m	Tsunami $m	Volcano $m	Total $m	Jun-2025 $m
Unearned premium reserve					464	465
Cost of future claims from unexpired risks						
Gross claims, undiscounted - central estimate	31	294	129	10	464	451
Administration and reinsurance costs for unexpired risks						
Claims administration expenses	6	57	25	2	91	89
Policy admin expenses for unexpired risks	3	26	11	1	41	40
Future reinsurance costs for unexpired risks	0	163	72	0	235	236
Reinsurance recoveries						
Reinsurance recoveries, undiscounted	0	(129)	(57)	0	(186)	(186)
Net of reinsurance						
Net premium liabilities, undiscounted - central estimate	39	411	181	12	644	629
Discounting	(1)	(14)	(6)	(0)	(22)	(25)
Net premium liabilities, discounted - central estimate	38	397	175	12	622	604
Diversified risk margin, discounted - 75% PoA					0	0
Net premium liabilities, discounted - 75% PoA					622	604
Additional unexpired risk reserve					**158**	**139**

- The estimated gross claims cost is $464 million, most of which relates to potential earthquake claims, followed by tsunami claims. These amounts represent the average of a very wide range of potential outcomes.
- Estimated claims and policy administration expenses are $91 million and $41 million respectively.
- Estimated future reinsurance costs are $235 million.
- Estimated reinsurance recoveries are $186 million. Similarly to outward claims, this amount represents the average of a very wide range of potential outcomes.
- The overall net costs in respect of unexpired risk are therefore $644 million. Discounting this to present values gives total premium liabilities of $622 million.
- The premium liabilities exceed the unearned premium reserve. Therefore an additional unexpired risk reserve of $158 million is required.

The levy pricing work suggests that a breakeven levy would be 24 cents per $100 sum insured (up to a cap of $300,000+GST). The actual current levy is 16 cents per $100 sum insured. Given the large discrepancy between the current levy and the breakeven levy, we would generally expect the unearned premium reserve to be deficient.

A Scope

A.1 Insurance liabilities components

The insurance liabilities include:

- Outstanding (OS) claims liabilities – which relate to the future direct and indirect claims costs and reinsurance recoveries for claims which occurred up to 31 December 2025.
- Premium liabilities – which relate to the future net claims costs and administration and reinsurance expenses for future claims arising from policies that were on risk as at 31 December 2025.

The liabilities calculated include a risk margin and are discounted for the time value of money.

The net of reinsurance liabilities have been calculated on the basis that, with the exception of some known non-recoverable categories, reinsurance is fully recoverable in line with the gross amounts in this report. s9(2)(h) [redacted] We are not aware of any reinsurer dispute to date.

Premium liabilities are not included directly on the balance sheet but are used for the Liability Adequacy Test of the unearned premium liability provision.

A.1.1 EQC Act 1993 & NHI Act 2023

The scope of this report includes all claims costs and associated expenses required to be paid to settle legitimate insurance claims as defined in the EQC Act 1993 or NHI Act 2023 or as required through Ministerial Direction.

There are a number of categories of costs that have been operationalised but are not 'typical' costs within the Acts. This includes costs such as ex gratia temporary accommodation costs. These are included in the gross claims costs but do not attract reinsurance recoveries.

s9(2)(h) [redacted]

A.1.2 Categories of Canterbury claims included

NHC manages a diverse range of Canterbury claim liabilities, some that are paid from the Natural Disaster Fund and others that are funded by 3rd parties. To provide some clarity, the table below sets out a variety of Canterbury claim groups and the extent to which NHC manages and/or funds the claims costs.

Category	Managed By	Included in ILVR liabilities
Undercap claim costs	NHC	Yes
Overcap claim costs (not covered below)	Private insurer (normally)	No
SRES overcap claim costs	NHC (on behalf of SRES)	No
Crown on-sold overcap programme	NHC (on behalf of Crown)	No
s9(2)(i) [redacted]	s9(2)(i)	s9(2)(i) [redacted]
Claims in Litigation	NHC	Yes**

**Note that for the purposes of the above table, the Claims in Litigation provision includes those claims that warrant a provision under the accounting standard PBE IPSAS 19 Provisions, contingent liabilities and contingent assets. s9(2)(h) [redacted].

A.2 Definitions of technical terms

Whilst we have tried to avoid unnecessary insurance jargon where possible, to help understand the technical terms which were used in this report we have included a glossary in Appendix H.

A.3 Event groups

A.3.1 Canterbury earthquake sequence claim events

- EQ1 – 4 September 2010 event – Darfield event
- EQ2 – 22 February 2011 event – Lyttelton event
- EQ3 – 13 June 2011 event (including 21 June 2011 event)* - Sumner event
- EQ4 – 23 December 2011 event
- Aftershocks ('AS') – 13 other events plus other claims advised by NHC as being part of the Canterbury Sequence.

*NHC's reinsurance programme covered all incurred losses arising within 720 hours from a declared event. Consequently, losses arising from the 21 June 2011 aftershock are included in the EQ3 event definition.

A.3.2 Kaikōura earthquake claim event

At 12:02am on 14 November 2016, an earthquake occurred near Culverden (approximately 100km north of Christchurch). This caused other faults to rupture in a domino effect, and other earthquakes occurred in a North-East direction towards Seddon. This earthquake event group has been named the Kaikōura earthquake. For the purposes of this report, it has the three-letter code KEQ.

A.3.3 North Island weather events.

Two severe weather events struck the North Island in the first quarter of 2023. The first was the Auckland Flood event which began on the afternoon of Friday 27 January 2023. It has been assigned the acronym AKFLDS.

The second event was Cyclone Gabrielle which predominantly affected the east Coast areas of Napier, Gisborne and Hawkes Bay. This event occurred around 12 February 2023. This has been given the acronym, CGAB.

A.3.4 Other claim events

Other outstanding NHC claims, including those arising from landslips, hydrothermal events, and from earthquakes not defined above are categorised as 'BAU' (Business As Usual) claims.

A.3.5 Components of premium liabilities

For the purposes of valuing the premium liabilities, the following event categories were used:

- Flood/Storm
- Earthquake
- Tsunami
- Volcano.

B Data

B.1 Sources of data

The most important sources of data used were:

- Actuarial Data Extracts from the ClaimCenter Claims Information Management System ('ADE').
  - Archived CMSv4 extract from 30 June 2018
  - CMSv8 Data as at 31 December 2025.
- NDRM claims data from the Data Hub.
- ACE and Small PAT apportionment data
- EQR paid data.
- Claim & Exposure Gate data as at 31 December 2025
- Transactional listing of all claim payments in CMS
- Listing of Canterbury claim payments from Finance
- Claim-to-address mapping data from Data, Digital and Delivery.
- Land cost calculations from NHC & T+T.
- Trial Balance as at 31 December 2025.
- PRUE catastrophe model results from 2022
- Discussions with NHC employees and contractors.
- Supplementary NDRM data provided by NHC Data, Digital and Delivery.

B.2 Validation of data

The data validation process carried out for this valuation compares the ADE extract against the data used for the reinsurance loss run and also to the Trial Balance.

B.2.1 ADE vs CMS data from finance

This table shows the comparison between the actuarial data extract against the CMS payments file provided by NHC Finance.

Claims validation

31 December 2025

	Event					
	EQ1 $000s	EQ2 $000s	EQ3 $000s	EQ4 $000s	AS $000s	Total $000s
ADE						
Building	1,616,285	3,777,363	473,361	136,182	130,329	6,133,520
Land	32,837	329,645	12,373	1,492	890	377,237
Contents	125,908	304,033	29,136	12,503	7,305	478,886
Total	1,775,030	4,411,041	514,870	150,177	138,525	6,989,643
CMS Payment file						
Building	1,616,285	3,777,361	473,361	136,159	130,329	6,133,494
Land	32,837	329,645	12,373	1,492	890	377,237
Contents	125,908	304,033	29,136	12,503	7,305	478,886
Total	1,775,029	4,411,040	514,870	150,154	138,525	6,989,618
Difference						
Building	1	2	0	23	0	26
Land	0	0	0	0	0	0
Contents	0	0	0	0	0	0
Total	1	2	0	23	0	26

B.2.2 ADE vs Trial Balance

This table shows the comparison between the actuarial data extract against the trial balance file provided by NHC Finance.

Claims payments

Reconciliation of ADE (31 December 2025) to trial balance

	Payment Type		
	ClaimCentre $m	EQR $m	Total $m
Actuarial Data Extract			
EQ1	2,316	499	2,816
EQ2	4,442	1,365	5,807
EQ3	499	525	1,024
AS/EQ4	284	174	457
Total	7,541	2,563	10,104
Trial Balance			
EQ1	2,313	498	2,811
EQ2	4,448	1,358	5,806
EQ3	503	502	1,005
AS/EQ4	281	202	484
Total	7,546	2,560	10,106
Difference			
EQ1	3	2	5
EQ2	(6)	7	1
EQ3	(4)	23	19
AS/EQ4	2	(29)	(26)
Total	(5)	3	(2)

B.2.3 NDRM vs trial balance from Finance

The table below shows a comparison of the NDRM transaction data extracts and the payments shown in the trial balance.

	Auckland Floods $	Cyclone Gabrielle $
Claims Costs		
Trial Balance		
605172 Settlement - Land - Flood	7,937,093	13,191,604
605174 Settlement - Land - Landslip	100,755,101	46,746,664
605175 Settlement - Land - Storm	2,406,496	7,700,341
605184 Settlement - Building - Landslip	29,950,023	20,158,577
Trial Balance Subtotal	141,048,713	87,797,186
NDRM		
Land	106,452,263	65,241,824
Building	29,324,638	20,188,992
CMS		
Land	4,598,597	108,355
Building	208,023	170,547
NDRM + CMS Subtotal	140,583,522	85,709,719
Variance - Claim costs	**465,192**	**2,087,468**
s9(2)(i)		
[redacted]		

Note that we would not expect this variance to be zero as there will always be some lag between the information held in the claims system (NDRM) and that held in the finance system. Overall we are confident that the data we receive for the valuation is materially correct.

B.3 Concerns and qualifications

B.3.1 General comments regarding the data held by NHC

Over the past several years NHC has undertaken significant systems transformation including a new claims system, finance system and a move to the Cloud. This has resulted in some changes in the data that we receive. Over this time, there have also been some changes in the operational practices when settling claims, most notably to do with minor works claims.

The Natural Disaster Response Model ('NDRM') system went live on 1 July 2021 and NHC has been working through the process of sharing data with insurers. This is an incredibly complex task with an understandably long list of challenges to overcome. While this will require time and resources to materially resolve, we are encouraged to the extent that NHC have devoted resource to this.

We have been working with NHC's actuarial team to develop metrics to score the various fields that we use for the valuation. It is anticipated that these can then be used to objectively assess the overall robustness and quality of the NDRM data and prioritise areas to invest in improvement initiatives.

B.4 Adequacy and Appropriateness

The quality of the results in this report relies on the accuracy and completeness of the data and information supplied. Overall, and subject to the discussion noted in Section B.3, we consider that the information provided to us was adequate and appropriate for the purposes of this valuation.

C Other information

C.1 Canterbury building model – key assumptions and outputs

Separate notes detailing the valuation process for the Canterbury building claims have been drafted. Copies of this can be provided upon request. The notes set out:

- Background to the reopen model and describes how it functions
- Experience to date and as compared to the previous assumptions
- Process for updating each assumption, if necessary.
- Summary of revised assumption set.
- Commentary on key assumptions

The notes are titled:

- 202512_ILVR_Supplementary_CES_Reopened
- 202512_ILVR_Commentary on Canterbury reopen rates and cost assumptions.
- 202512_ILVR_Reopen_Termination_Rate

C.2 Canterbury building model – additional provisions

A separate note detailing the additional valuation components has been drafted. A copy of this can be provided upon request. The note sets out:

- Background to the accounting issues on what should be provisioned under PBE IPSAS 19
- A description of each of the components and its history
- Reasons why the component should (or should not) be included
- A summary of the financial impacts

The note is titled 202512_ILVR_Additional_Provisions_CES.

C.3 North Island Weather Events – key assumptions and methodology

A separate note detailing the valuation process for the North Island weather events has been drafted. A copy of this can be provided upon request. The note sets out:

- Background to the North Island weather events and the model used to replicate the claims process
- Experience to date and as compared to the previous assumptions
- Process for updating the reported claims and the average cost assumptions, if necessary.
- Summary of revised assumption set.

The note is titled 202512_ILVR_Supplementary_NIWE.

C.4 Risk margin

202512_Supplementary_RiskMargin

D Analysis of movement in provisions

D.1 Reconciliation of change in net OS claims liability

All EQC claims
Reconciliation of change in outstanding claims liability from 30 June 2025 ILVR

	Prior Periods (to 30 Jun 2025)										Current	All Periods					
	EQ1 $m	EQ2 $m	EQ3 $m	EQ4 $m	AS $m	BAU $m	KEQ $m	AKFLDS $m	CGAB $m	Subtotal $m	BAU $m	CEQ $m	KEQ	AKFLDS $m	CGAB $m	BAU $m	Total $m
Net OSCL (85% PoA, discounted) as at 30 June 2025	63	315	29	10	19	17	3	29	43	n.a	20	435	3	29	43	37	548
Remove net risk margin (85% PoA)	(23)	(77)	(5)	(1)	(3)	(3)	(1)	(9)	(12)	n.a	(5)	(109)	(1)	(9)	(12)	(7)	(138)
Net OSCL (central estimate, discounted) as at 30 June 2025	40	238	24	8	16	14	2	20	31	394	15	326	2	20	31	29	410
Remove discounting	9	29	3	1	2	0	0	0	1	46	0	45	0	0	1	0	46
Net OSCL (central estimate, undiscounted) as at 30 June 2025	50	267	27	9	18	14	3	21	32	440	16	371	3	21	32	30	456
Estimated net paid over period	(3)	(30)	(4)	(1)	(1)	(4)	(0)	(4)	(1)	(49)	(4)	(39)	(0)	(4)	(1)	(8)	(53)
Change in net actuarial determination	(1)	7	0	(0)	(1)	7	0	5	(2)	17	(0)	6	0	5	(2)	6	16
Net OSCL (central estimate, undiscounted) as at 31 Dec 2025	46	245	24	8	16	17	3	22	29	408	11	338	3	22	29	28	419
Add discounting	(8)	(25)	(3)	(1)	(2)	(0)	(0)	(0)	(0)	(39)	(0)	(38)	(0)	(0)	(0)	(0)	(39)
Net OSCL (central estimate, discounted) as at 31 December 2025	38	220	21	7	14	17	2	21	28	369	11	300	2	21	28	28	380
Net diversified risk margin (85% PoA, discounted)	27	89	5	2	3	2	1	7	6	n.a	2	126	1	7	6	3	143
Net OSCL (85% PoA, discounted) as at 31 December 2025	65	309	26	9	17	19	3	28	34	n.a	13	426	3	28	34	32	523

D.2 Movement in Canterbury earthquake claims costs

Canterbury earthquakes only
Comparison to 30 June 2025 ILVR Results

	EQ1			EQ2			EQ3			EQ4			AS			Total		
	Dec 25 $m	Jun 25 $m	Change $m	Dec 25 $m	Jun 25 $m	Change $m	Dec 25 $m	Jun 25 $m	Change $m	Dec 25 $m	Jun 25 $m	Change $m	Dec 25 $m	Jun 25 $m	Change $m	Dec 25 $m	Jun 25 $m	Change $m
Gross ultimate claims excl CHE, undiscounted - central estimate																		
Land	69	69	**+0**	485	485	**+0**	51	51	**+0**	4	4	**+0**	1	1	**+0**	609	609	**+0**
Building	3,312	3,314	**-2**	5,632	5,624	**+7**	400	399	**+0**	123	123	**-0**	232	232	**-1**	9,698	9,693	**+5**
Contents	126	126	**+0**	304	304	**-0**	29	29	**+0**	12	12	**+0**	7	7	**+0**	478	478	**-0**
Total	3,506	3,508	**-2**	6,420	6,413	**+7**	479	479	**+0**	139	139	**-0**	240	241	**-1**	10,785	10,780	**+5**
Claims handling expenses (CHE)																		
Paid	574	571	**+4**	957	952	**+5**	138	137	**+1**	46	45	**+0**	58	58	**+0**	1,773	1,762	**+11**
Future	28	32	**-4**	36	41	**-5**	6	8	**-1**	3	3	**-1**	4	4	**-0**	77	88	**-11**
Total	602	603	**-0**	993	994	**-0**	144	144	**-0**	48	48	**-0**	62	62	**-0**	1,850	1,850	**-1**
Gross ult claims incl CHE, undisc - central est	4,108	4,111	**-2**	7,413	7,406	**+7**	623	623	**+0**	187	187	**-0**	302	303	**-1**	12,634	12,630	**+4**
Reconciliation to gross outstanding (OS)																		
Gross ult cost incl CHE, undisc - central est	4,108	4,111	**-2**	7,413	7,406	**+7**	623	623	**+0**	187	187	**-0**	302	303	**-1**	12,634	12,630	**+4**
Paid claims costs excl CHE	(3,370)	(3,358)	**-12**	(6,212)	(6,187)	**-25**	(462)	(459)	**-3**	(134)	(133)	**-1**	(228)	(227)	**-1**	(10,405)	(10,364)	**-41**
Paid CHE	(574)	(571)	**-4**	(957)	(952)	**-5**	(138)	(137)	**-1**	(46)	(45)	**-0**	(58)	(58)	**-0**	(1,773)	(1,762)	**-11**
Gross OS incl CHE, undisc - central est	164	182	**-18**	245	267	**-23**	24	27	**-4**	8	9	**-1**	16	18	**-2**	456	503	**-47**
Reinsurance recoveries, undiscounted - central estimate																		
Past payments recoveries	(2,346)	(2,334)	**-13**	(2,478)	(2,478)	**+0**	-	-	**-**	-	-	**-**	-	-	**-**	(4,824)	(4,811)	**-13**
Future payments recoveries	(118)	(132)	**+14**	(0)	(0)	**-0**	(0)	0	**-0**	0	0	**0**	-	-	**-**	(118)	(132)	**+14**
Total expected recoveries	(2,464)	(2,466)	**+2**	(2,478)	(2,478)	**-0**	(0)	0	**-0**	0	0	**0**	-	-	**-**	(4,942)	(4,944)	**+2**
Net ult inc claims incl CHE, undisc - central est	1,644	1,645	**-1**	4,936	4,929	**+7**	623	623	**+0**	187	187	**-0**	302	303	**-1**	7,692	7,686	**+6**
Reconciliation to net outstanding																		
Gross OS incl CHE, undisc - central est	164	182	**-18**	245	267	**-23**	24	27	**-4**	8	9	**-1**	16	18	**-2**	456	503	**-47**
Future payments recoveries	(118)	(132)	**+14**	(0)	(0)	**-0**	(0)	0	**-0**	0	0	**+0**	-	-	**+0**	(118)	(132)	**+14**
Net OS including CHE, undisc - central est	46	50	**-4**	245	267	**-23**	24	27	**-4**	8	9	**-1**	16	18	**-2**	338	371	**-33**
Discounting	(8)	(9)	**+1**	(25)	(29)	**+5**	(3)	(3)	**+1**	(1)	(1)	**+0**	(2)	(2)	**+0**	(38)	(45)	**+7**
Net OS including CHE, disc - central est	38	40	**-2**	220	238	**-18**	21	24	**-3**	7	8	**-1**	14	16	**-2**	300	326	**-26**
Net risk margin, diversified, 85% PoA	27	23	**+4**	89	77	**+12**	5	5	**+0**	2	1	**+0**	3	3	**+0**	126	109	**+17**
Net OS including CHE, disc - 85% PoA	65	63	**+2**	309	315	**-6**	26	29	**-2**	9	10	**-1**	17	19	**-1**	426	435	**-9**

E Detailed movement analyses

E.1 Canterbury building claims

Canterbury building liabilities (cont.)

Movement from 30 June 2025 to 31 December 2025

	Paid to date $000s	Estimated future $000s	Estimated ultimate $000s
Position as at 30 June 2025			
On-Sold Overcaps - undercap component		6,003	
Future Reopens		274,271	
s9(2)(h)		[redacted]	
Insurer Finalisation		s9(2)(i)	
Mattias legal provision		s9(2)(h)	
Fees		27,421	
Unclaimed Damage		16,453	
s9(2)(i) [redacted]		41,132	
Total	9,307,396	385,478	9,692,874
Expected payments between Jun-2025 and Dec-2025			
On-Sold Overcaps - undercap component		(3,542)	
Future Reopens		(29,018)	
s9(2)(h)		[redacted]	
Insurer Finalisation		s9	
Mattias legal provision		s9	
Fees		(2,901)	
Unclaimed Damage		(1,741)	
s9(2)(h) [redacted]		(4,352)	
Total	42,606	(42,606)	
Expected position as at Dec-2025			
On-Sold Overcaps - undercap component		2,461	
Future Reopens		245,253	
s9(2)(h)		[redacted]	
Insurer Finalisation		s9(2)(i)	
Mattias legal provision		s9(2)(h)	
Fees		24,520	
Unclaimed Damage		14,712	
s9(2)(h) [redacted]		36,780	
Total	9,350,002	342,872	9,692,874
Actual minus expected payments between Jun-2025 and Dec-2025			
On-Sold Overcaps - undercap component			
Future Reopens			
s9(2)(h)			
Insurer Finalisation			
Mattias legal provision			
Fees			
Unclaimed Damage			
s9(2)(h) [redacted]			
Total	(2,012)	2,012	

Canterbury building liabilities (cont.)

Movement from 30 June 2025 to 31 December 2025

	Paid to date $000s	Estimated future $000s	Estimated ultimate $000s
Position as at Dec-2025 using rolled forward actual payments			
On-Sold Overcaps - undercap component			
Future Reopens			
s9(2)(h)			
Insurer Finalisation			
Mattias legal provision			
Fees			
Unclaimed Damage			
s9(2)(h)			
Total	9,347,989	344,884	9,692,874
Impact of adjusting for actual experience over the period			
On-Sold Overcaps - undercap component			
Future Reopens			
s9(2)(h)			
Insurer Finalisation			
Mattias legal provision			
Fees			
Unclaimed Damage			
s9(2)(h)			
Total		(5,504)	(5,504)
Position as at 31 December 2025 using previous methodology and assumptions			
On-Sold Overcaps - undercap component		2,132	
Future Reopens		242,313	
s9(2)(h)		[redacted]	
Insurer Finalisation		s9(2)(i)	
Mattias legal provision		s9(2)(h)	
Fees		24,241	
Unclaimed Damage		14,544	
s9(2)(h)		36,361	
IHRP temporary accomodation		0	
s9(2)(i)		0	
Total	9,347,989	339,381	9,687,370
Impact of adjusting assumptions in line with experience			
On-Sold Overcaps - undercap component		101	
Future Reopens		(937)	
s9(2)(h)		[redacted]	
Insurer Finalisation		[redacted]	
Mattias legal provision		[redacted]	
Fees		4,729	
Unclaimed Damage		(59)	
s9(2)(h)		(148)	
IHRP temporary accomodation		2,173	
s9(2)(i)		1,159	
Total		10,024	10,024
Position as at 31 December 2025			
On-Sold Overcaps - undercap component		2,233	
Future Reopens		241,375	
s9(2)(h)		[redacted]	
Insurer Finalisation		s9(2)(i)	
Mattias legal provision		s9(2)(h)	
Fees		28,970	
Unclaimed Damage		14,485	
s9(2)(h)		36,213	
IHRP temporary accomodation		2,173	
s9(2)(i)		1,159	
Total	9,348,397	349,405	9,697,802

Note: All figures are gross of reinsurance, undiscounted and exclude CHE

E.2 North Island Events

The table below summarises the movement in the provision for the North Island events (excluding NHC CHE).

North Island weather events

Movement analysis from 30 June 2025 to 31 December 2025

	Auckland Floods			Cyclone Gabrielle		
	Land	Building	Total	Land	Building	Total
As at 30 June 2025						
Paid to date	$156.8m	$29.0m	$185.8m	$97.7m	$19.7m	$117.4m
Future	$12.0m	$8.5m	$20.4m	$10.8m	$20.8m	$31.6m
Ultimate	$168.8m	$37.5m	$206.2m	$108.5m	$40.5m	$149.1m
Expected payments from Jun-2025 to Dec-2025	$7.8m	$5.5m	$13.3m	$6.9m	$13.4m	$20.3m
Actual payments from Jun-2025 to Dec-2025	$3.5m	$0.9m	$4.4m	$1.0m	$0.5m	$1.5m
Rolled forward using actual payments to Dec-2025						
Paid to date	$160.3m	$30.0m	$190.2m	$98.7m	$20.2m	$118.9m
Future	$8.5m	$7.5m	$16.0m	$9.8m	$20.4m	$30.2m
Ultimate	$168.8m	$37.5m	$206.2m	$108.5m	$40.5m	$149.1m
Impact of updating assumptions						
Paid to date	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m	$0.0m
Future	$4.5m	$0.9m	$5.4m	($1.1m)	($0.3m)	($1.4m)
Ultimate	$4.5m	$0.9m	$5.4m	($1.1m)	($0.3m)	($1.4m)
Updated estimate as at 31 December 2025						
Paid to date	$160.3m	$30.0m	$190.2m	$98.7m	$20.2m	$118.9m
Future	$13.0m	$8.4m	$21.4m	$8.7m	$20.0m	$28.8m
Ultimate	$173.3m	$38.3m	$211.6m	$107.5m	$40.2m	$147.7m

F Sensitivity Analysis

F.1 All claim liabilities

The chart below shows the impact on the net OS claims liabilities (85% risk margin) from changes to the valuation discount rates.

Net OS including CHE, disc - 85% PoA

	EQ1	EQ2	EQ3	EQ4	AS	BAU	AKFLDS	CGAB	KEQ	Total	Movement
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Baseline	65	309	26	9	17	32	28	34	3	523	
Discount rate											
+1%	63	301	26	8	17	31	28	34	3	511	(12)
-1%	66	318	27	9	18	32	28	34	3	535	12

That is, a 1% increase in the valuation discount rates would reduce the net outstanding claims liabilities (85% PoA) by $12 million.

F.2 Canterbury earthquake building reopen claims costs

We have also carried out sensitivity analysis on the key assumptions in the reopen building model. The charts below show the impact of these changes to the:

- Gross undiscounted outstanding liabilities (excl CHE).
- Net OS including CHE, disc - 85% PoA

	Baseline assumption	New assumption	Result	Difference to baseline
Baseline - reopen provision			$241m	
Average claim size				
+$1,000	Starting at $46k	Starting at $47k	$242m	+$1m
-$1,000		Starting at $45k	$241m	-$1m
Average claim size (upon closing)				
+$1,000	Starting at $23k	Starting at $24k	$250m	+$9m
-$1,000		Starting at $22k	$233m	-$9m
Proportion incurring non-zero payment (each month while remaining open)				
+0.1%	1.9% each month	2.0% each month	$243m	+$2m
-0.1%		1.8% each month	$240m	-$2m
Proportion incurring non-zero payment (upon closing)				
+1%	44% upon closure	39% upon closure	$218m	-$23m
-1%		49% upon closure	$265m	+$23m
Future inflation rate				
+1%	1.8% decreasing to 3.0%	2.8% decreasing to 4.0%	$250m	+$8m
-1%		0.8% decreasing to 2.0%	$233m	-$8m
Reopen rate				
-3 years	Terminate model after 12 years	Claims can only reopen up to 9 years after closure,	$165m	-$76m
+3 years		Claims can reopen up to 15 years after closure, but	$271m	+$30m
Run off period				
-3.5 years	Baseline assumptions but terminating model at different dates	Model projections terminate Dec 2033	$218m	-$23m
+3.5 years		Model projections terminate Dec 2040	$252m	+$11m
Future inflation rate				
+5%	1.8% decreasing to 3.0%	6.8% decreasing to 8.0%	$288m	+$46m

Net OS including CHE, disc - 85% PoA

	Baseline assumption	New assumption	Result	Difference to baseline
Baseline			$523m	
Average claim size				
+$1,000	Starting at $46k	Starting at $47k	$524m	+$1m
-$1,000		Starting at $45k	$522m	-$1m
Average claim size (upon closing)				
+$1,000	Starting at $23k	Starting at $24k	$535m	+$12m
-$1,000		Starting at $22k	$511m	-$12m
Proportion incurring non-zero payment (each month while remaining open)				
+0.1%	1.9% each month	2.0% each month	$526m	+$3m
-0.1%		1.8% each month	$521m	-$3m
Proportion incurring non-zero payment (upon closing)				
+1%	44% upon closure	39% upon closure	$491m	-$32m
-1%		49% upon closure	$555m	+$32m
Future inflation rate				
+1%	1.8% decreasing to 3.0%	2.8% decreasing to 4.0%	$535m	+$12m
-1%		0.8% decreasing to 2.0%	$512m	-$11m
Reopen rate				
-3 years	Terminate model after 12	Claims can only reopen up to 9 years after	$418m	-$105m
+3 years	years	Claims can reopen up to 15 years after closure,	$564m	+$41m
Run off period				
-3.5 years	Baseline assumptions but	Model projections terminate Dec 2033	$491m	-$32m
+3.5 years	terminating model at different	Model projections terminate Dec 2040	$538m	+$15m
Future inflation rate				
+5%	1.8% decreasing to 3.0%	6.8% decreasing to 8.0%	$587m	+$64m

F.3 North Island weather events

We have also carried out sensitivity analysis on the key assumptions in the Auckland Anniversary Floods and Cyclone Gabrielle models. The charts below show the impact of these changes to the gross undiscounted ultimate costs (excl CHE). Note that the impact on the accounts (net of reinsurance, discounted and at 85% PoA) would be similar to that shown below.

Auckland Anniversary Floods: Net OS including CHE, disc - 85% PoA

	Baseline assumption	New assumption	Result	Difference to baseline
Baseline			$523m	
Average claim size				
+$5,000	Starting at $24k land claims, $20k building claims	Starting at $29k	$526m	+$3m
-$5,000		Starting at $19k	$520m	-$3m
Average fee size				
+$1,000	Starting at $10k land claims, $3k building claims	Starting at $11k	$524m	+$1m
-$1,000		Starting at $9k	$522m	-$1m
Future inflation rate				
+0%	1.2% p.q. decreasing to 0.6% p.q.	+1.4% adj per annum	$523m	+$0m
-0%		+0.9% adj per annum	$523m	-$0m
Reopen rate				
+5%	3% of claims reopen	8% reopen rate	$538m	+$15m
-5%		0% reopen rate	$514m	-$9m

Cyclone Gabrielle: Net OS including CHE, disc - 85% PoA

	Baseline assumption	New assumption	Result	Difference to baseline
Baseline			$523m	
Average claim size				
+$5,000	Starting at $17k land claims, $21k building claims	Starting at $22k	$525m	+$2m
-$5,000		Starting at $12k	$521m	-$2m
Average fee size				
+$1,000	Starting at $8k land claims, $2k building claims	Starting at $9k	$524m	+$0m
-$1,000		Starting at $7k	$523m	-$0m
Future inflation rate				
+0%	1.2% p.q. decreasing to 0.6% p.q.	+1.4% adj per annum	$523m	+$0m
-0%		-0.9% adj per annum	$523m	-$0m
Reopen rate				
+5%	3% of claims reopen	8% reopen rate	$532m	+$9m
-5%		0% reopen rate	$517m	-$6m

G Uncertainty, Limitations and Reliances

G.1 General comment

There is inherent uncertainty in any estimation of insurance liabilities – estimates of liabilities are based on assumptions and deviations from estimates are normal and to be expected. The estimates are therefore a probability statement rather than an absolute judgement.

The actual ultimate incurred claim costs arising from the Canterbury earthquake events, the North Island weather events and to a lesser extent the Kaikōura earthquake will not be known until the last claim is settled.

G.2 General sources of valuation uncertainty

The general sources of error in the estimation of liabilities include:

- Normal variation that is inherent in any random process.
- The difficulties in representing all aspects of a real-world process in a valuation model.
- Incorrect valuation assumptions arising from:
  - Assumptions being derived from an unrepresentative sample.
  - Underlying experience drifting over time and chosen assumptions failing to accurately follow the 'drift' – this could be due to internal factors such as changes in the claims process or external factors such as changes in the legal environment, cost inflation etc.
- Incomplete or poor-quality data.
- Errors in calculations.

All of these sources of error are potentially present in this investigation.

G.3 Key uncertainties

G.3.1 Exceptional uncertainties arising from the Canterbury earthquakes

The Canterbury earthquakes have resulted in a high level of uncertainty. Some of the key sources of uncertainty are:

- The impact of multiple events on the allocation of damage, NHC coverage and NHC's reinsurance coverage. This has a flow on impact to the private insurer who covers the overcap loss.
- Claims development. Neither the EQC Act 1993 nor the NHI Act 2024 allows NHC to 'settle' claims (full and finally) as a private insurer might and so claims are able to reopen until they reach the statutory claim limits. This has made the estimation of when a particular property has been satisfactorily resolved without reopening extremely challenging.
- s9(2)(h) [redacted]

Consequently, even at this relatively late stage of claims development, there is still a degree of unavoidable uncertainty regarding the future claims costs.

As noted in our previous reports, as the claims are settled and as the reasonableness of the model and its assumptions are refined and tested against the emerging claims experience, the level of uncertainty will reduce.

G.3.2 Uncertainties arising from the Kaikōura earthquake

There is relatively little uncertainty remaining with Kaikōura earthquake claims.

G.3.3 Uncertainties arising from the North Island weather events

The two North Island weather events were (each separately) some of the largest insured weather events ever experienced in New Zealand. This creates a level of uncertainty simply from the magnitude of the event.

Additional uncertainty arises as a function of the NDRM where the private insurers act as claims managers for NHC. This creates an information barrier between the homeowner's loss and NHC's database. s9(2)(g)(i) [redacted]

There have however been considerable settlements over the past 24 months and this has reduced the uncertainty to a reasonable extent.

G.4 Limitations

This report is addressed to the management and Board of NHC and should not be provided to or used by any other party (except as specified below) without the express written permission of MJW. This limitation has been provided with the intention of preventing the use of the report for purposes for which the analysis was not intended. MJW will not be liable for the consequences of any third party acting upon or relying upon any information or conclusions contained within this report.

MJW has agreed to a request from NHC that this report may be provided to NHC's Minister, auditor, reinsurance broker (Aon), reinsurers, legal counsel and the New Zealand Treasury. In agreeing to this request, we point out in particular that this report is addressed to NHC, and therefore we do not warrant or represent that any information, analysis or results set out in it are sufficient or appropriate for any other party's purposes. This report cannot substitute for any investigations that any other party may wish to carry out for its own purposes, and the authors of this report and MJW will not accept any liability to any other party arising from the use of this report.

G.4.1 Official Information Act (OIA)

It is recognised that NHC will publish the ILVR on its website.

This report will be covered by the OIA and therefore will be released subject to any redactions allowable under the OIA.

The limitations above also apply to any other reader of this report.

G.5 Key reliances

In completing this report, considerable reliance has been placed on data and information supplied to MJW by NHC and its external advisors. The most important reliances were placed on the data sources listed in Section B.1.

G.6 Quality control and risk management processes

The estimation of NHC's liabilities, particularly the building component, involves constructing multiple complex statistical models.

The data, methodology and results that drive, and are output from, these models undergo a variety of quality control and audit processes.

We undertake to ensure the robustness of these by:

- Internal peer review, including:
  - Detailed review of data, assumptions, methodology and results.
  - Periodic rotation of staff which allows, over time, a 'fresh set of eyes' over aspects of the valuation process.
- Data validation where possible to independent sources (e.g. management accounts, daily reports)
- Analysis of change in assumptions for reasonableness.
- Comparison of results to previous models and valuations.
- Comparing results to alternative models.
- External review, including
  - Discussions with NHC staff
  - Discussions with external auditors at year ends.

H Glossary

Actuarial Data Extract (ADE)

A data extract used to facilitate an actuarial valuation. The data is typically sourced from the claims and policy administration systems.

Apportioned Cost Estimate (ACE) data

A number of properties have had their building damage apportioned between events in a manual fashion. This process uses all available information on that property (quantity surveyor reports, land damage information, neighbourhood damage, customer reports etc.) to inform the apportionment. These apportionments are called Apportioned Cost Estimates and will be included the ACE data set. The ACE data set includes all overcap properties and a number of undercap properties too.

Business as Usual (BAU)

A distinction has been drawn between claims that are related to the Canterbury Earthquake Sequence or the Kaikōura earthquake and those that are from other events (earthquake or other). These other events are referred to as Business as Usual (BAU) events.

Canterbury Earthquake Sequence ('CES')

The sequence of earthquakes and aftershocks in the Canterbury area from 4 September 2010 to the end of 2011. This included four main earthquakes on 4 September 2010, 22 February 2011, 13 June 2011 and 23 December 2011.

Case estimate

The amount recorded by the insurer's claims personnel (including external claims assessors) as being the amount required to settle an open claim, based on the information available on that particular case. When a claim is first reported and recorded, a nominal placeholder estimate may be entered into the system. Estimates should be updated as extra information comes to light and adjusted to reflect any partial payments that may be made prior to final settlement.

Claims handling expenses (CHE)

The expenses involved in the processing and settlement of claims. Note that this term usually relates only to indirect claims expenses such as internal general administration claims costs. Expenses such as assessors' fees or legal costs, that arise in relation to specific claims, are termed direct expenses and are usually treated as part of the cost of those claims.

Incurred

A term relating to claims arising from events that occurring in a specified period.

There are differences in the precise usage of the term according to the context in which it appears. In some contexts, it may refer to the group of claims *occurring* in the period (whether **reported** to the insurer or not) and their eventual cost. In accounting contexts, the term may refer to the amount of *claims payments made plus the change in outstanding claims provisions* from the start to the end of the period.

In an actuarial context, 'incurred' costs are taken to mean the claim costs cost which arise or come to light) during the period. An alternative expression of this is: claim payments made plus outstanding estimates (inclusive of **IBNR** and **IBNER**).

Further differences may also apply in regard to the inclusion (or not) of **CHE** and **risk margins.** Clarification should be provided in the actuarial commentary as to the precise meaning applied. It should also be stated whether there has been allowance for **discounting** in the quantification of future payments to be made on these claims. Also see **discounting** and **ultimate cost**.

Incurred but not reported (IBNR)

Any claim or claim amount for which, at a particular point in time, the loss event has occurred, but the insurer has not yet been notified and/or the claim entered into the claims system. Any **outstanding claims liability** must include an allowance for these claims.

Incurred but not enough reported (IBNER)

A monetary amount relating to **reported** claims. IBNER is defined as the ultimate cost of the claim less the current **case estimate** and could be positive or negative. The **outstanding claims liability** must include an allowance for this.

Liability adequacy test (LAT)

A test applied under the **accounting standard** which consists of a comparison of the **unearned premium**, less deferred acquisition costs (DAC), against the **premium liability**. If the test indicates a deficiency, the DAC must be written down by an appropriate amount in the entity's income statement. If the deficiency is greater than the DAC, a premium deficiency reserve must be set up.

Natural Disaster Response Model (NDRM)

The NDRM was launched in 2021 to streamline customer response by giving homeowners a single point of contact for their insurance claim, including the NHCover portion, through their private insurer. Under the new partnership model, insurers will assess, manage and settle the entire claim – including the NHCover portion - up to the statutory capped level of damage under the NHC Act, and then any claim under their private insurance to cover additional losses up to their sum insured.

North Island Weather Events (NIWE)

The two significant weather events that struck the North Island in late January 2023 (Auckland Anniversary Flood event) and mid-February 2023 (Cyclone Gabrielle).

Outstanding Claims Liability (OCL)

The expected value of future payments on claims that were **incurred** on or before the **effective valuation date**. This usually includes future **CHE** associated with those claims, allows for **discounting**, and includes a specified **risk margin**. It may be calculated **gross** or **net of reinsurance** and **non-reinsurance recoveries**.

Premium Liabilities

The value of future claim payments and related **CHE**, arising from future events for which the insurer is liable at the date of calculation.

Probability of adequacy

The statistical probability that a reserve or provision will ultimately prove to be adequate to provide for all relevant payments to be made.

Risk Margin

The amount of extra provision over and above the **central estimate** which is intended to allow for the inherent uncertainty of insurance liabilities. The relevant **probability of adequacy** associated with the increased amount should be stated.

Unearned Premium

The proportion of written premium that relates to the risk still to be covered after the balance date or effective date of the valuation. The calculation usually assumes that premium is earned evenly over the term of a policy, except for unusual types of risk where this is clearly not the case (for example, Contractors All Risks). Should a policy be cancelled, the unearned premium as at the cancellation date may be refunded to the policyholder, possibly after allowance for expenses incurred.

Unearned Premium Reserve (UPR)

The total amount of **unearned premiums** held, reflecting the periods of future cover to be provided under policies in force at the balance date or effective date of the valuation.

Valuation date

The **effective date** as at which a valuation has been made.