



## COVERSHEET

<b>Minister</b>	Hon Dr Duncan Webb	<b>Portfolio</b>	Commerce and Consumer Affairs
<b>Title of Cabinet paper</b>	Fast-tracked launch of the New Zealand Claims Resolution Service	<b>Date to be published</b>	13 April 2023

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
January 2023	Fast-tracked launch of the New Zealand Claims Resolution Service	Office of the Minister of Commerce and Consumer Affairs
31 January 2023	Fast-tracked Launch of the New Zealand Claims Resolution Service CAB-23-MIN-0010 Minute	Cabinet Office

### Information redacted

**YES**

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under the Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reason of Confidential advice to Government.

## Budget Sensitive

Office of the Minister of Commerce and Consumer Affairs

Chair, Cabinet

## Fast-tracked launch of the New Zealand Claims Resolution Service

### Proposal

1. This paper seeks Cabinet's agreement to early confirmation and approval of the Budget 2023 initiative, *insurance claims resolution service for residential homes damaged by natural disasters*. Early confirmation of the initiative will enable a fast-tracked launch of the New Zealand Claims Resolution Service (NZCRS) to mid-February in order to ensure that it can support homeowner insurance claims arising out of the Auckland flooding event.
2. This paper does not cover financial support for those who have been affected by the event, including those who are uninsured. It is still too soon to understand the scale of this issue. Any future Government financial support in response to the disaster will be considered through usual Cabinet processes consistent with the Guide to the National Civil Defence Emergency Management Plan, and will likely be led by other agencies such as the Ministry of Social Development and the National Emergency Management Agency.

### Relation to government priorities

3. This proposal will support the Government's current recovery response to recent natural disaster events including flooding events in Auckland, Tairāwhiti, Nelson Tasman and Marlborough whilst also maintaining support services for the Canterbury Earthquake Sequence.

### Executive Summary

4. On 29 August 2022, Cabinet agreed to establish the NZCRS as a standing national mechanism to provide support to homeowners with a Toka Tū Ake EQC and/or private insurance claim against a residential property that has been damaged by any natural disaster event. NZCRS will provide early, independent, and on-the-ground advice and support to homeowners to achieve timely, fair and enduring resolution through case management services and access to independent expert advice and support on legal, technical, and wellbeing issues. The service was due to be launched in April 2023.
5. In response to the recent flooding events, I intend to bring forward the launch of the NZCRS to mid-February.

## BUDGET SENSITIVE

6. This will allow homeowners access to the full suite of early intervention services offered by NZCRS that are not available through the existing Residential Advisory Service and give homeowners assurance that government support is available to help with the resolution of their insurance claims.
7. I have submitted an initiative for Budget 2023 for ongoing funding for the NZCRS for 2023/24 and outyears. However, I am now seeking a pre-commitment against Budget 2023 for funding to enable the NZCRS to operate beyond June 2023.
8. If approved, the funding will allow for the fast-tracked launch of the NZCRS in mid-February 2023. If demand for NZCRS support during the current financial year is significant, additional funding may be required for the NZCRS to scale-up resources and support services to meet demand above its baseline level.

### Background

9. On 29 August 2022, Cabinet [DEV-22-MIN-0199 refers]:
  - 9.1 agreed to establish the New Zealand Claims Resolution Service (NZCRS) as a standing national mechanism to provide support to homeowners with a Toka Tū Ake EQC and/or private insurance claim against a residential property that has been damaged by a natural hazard event<sup>1</sup>;
  - 9.2 agreed that the NZCRS will replace the existing Greater Christchurch Claims Resolution Service (GCCRS) and the Residential Advisory Service (RAS) as a single permanent national service, with current GCCRS and RAS claimants being transferred;
  - 9.3 agreed to fund the establishment and initial operation of the NZCRS during the 2022/23 financial year by reprioritising the \$4.000 million of funding agreed through Budget 2022 for the Insurance Claims Resolution initiative (which provides one year of funding for RAS and GCCRS);
  - 9.4 noted that the NZCRS would provide early resolution, advisory and case management support services in the first instance, with bespoke dispute resolution services to be added once further policy work has been completed.
10. Following those Cabinet decisions, I instructed MBIE officials to work towards having the service ready to launch no later than April 2023 to allow time for operational readiness requirements and dispute resolution service options to be worked through ahead of launch.

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<sup>1</sup> Commercial property and claims related to contents are not in scope of the NZCRS.

11. Given NZCRS only has initial funding for 2022/23, Confidential advice to Government

**In light of the Auckland flooding event, I intend to fast-track the launch of the NZCRS to mid-February**

12. Following unprecedented rainfall in Auckland on 27 January 2023, I have instructed officials to bring the launch of the NZCRS forward to mid-February 2023, offering advisory, case management and early resolution services.
13. Flooding and landslides have caused widespread damage, with inspections required for an estimated 5,000 buildings across the Auckland region. The full extent of damage to residential property – and resulting insurance issues – will not be known until the remaining building inspections are completed in the coming days.
14. The timing has been carefully considered to achieve the right balance of providing support to impacted homeowners at the right time. I consider that a mid-February launch would be optimal:
- 14.1 Auckland remains under a state of local emergency. A second weather system is expected to arrive in the north of the North Island by Tuesday 31 January, and may lead to further adverse impacts.
  - 14.2 Announcing the launch of the service while the response phase is ongoing risks causing confusion for households. In the immediate term, it is important that public messaging directs homeowners contact their insurer in the first instance to lodge their claim.
  - 14.3 Experience from past emergencies suggests there is likely to be a lag between an event occurring and insurance issues arising.
  - 14.4 Launch in mid-February is the fastest the service can be launched while allowing for final operational readiness preparations to be undertaken, including communications materials, website development and launch, case management systems and processes and staffing requirements.
15. In the meantime, transitional insurance advisory services are available through RAS should homeowners need support. This includes access to brokers with extensive experience working with homeowners and insurers who can provide insurance policy advice and access to Government funded legal advice<sup>2</sup>. The broader range of services the NZCRS offers are unlikely to be needed within the next few weeks. **Appendix One** has key messages to help homeowners between now and the NZCRS launch.

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<sup>2</sup> The NZCRS 0800 number (0800 777 299) will be available to homeowners using RAS branding until the NZCRS is launched

### Early confirmation of Budget 2023 bid

16. On 29 August 2022, Cabinet also noted that the operation of the NZCRS beyond June 2023 was dependent on outyear funding being sought through future Budgets [DEV-22-MIN-0199 refers].
17. In late 2022, I was invited by the Minister of Finance to submit a Budget 2023 initiative Confidential advice to Government This was submitted to Treasury and is being assessed as a part of the overall Budget 23 package. The funding sought was \$28 million over the forecast period.
18. Following consultation with the Minister of Finance, I am now seeking early confirmation and approval of \$25.860 million ahead of Budget 2023 to fast-track the launch of the service. Doing so will provide the certainty to homeowners impacted by the recent Auckland flooding event; they need to know that the support the NZCRS provides will be available beyond June 2023.
19. Experience from resolving claims from the Canterbury Earthquake Sequence has taught us that it can take several months, and sometimes years, to support homeowners to resolve their claims.
20. The certainty provided by early-confirmation of this funding will also allow MBIE to secure permanent staffing levels as quickly as possible ahead of potential demand for the service following the Auckland event.

### Pre-Budget announcement

21. I also seek Cabinet's approval for a pre-Budget announcement related to funding for NZCRS from Budget 2023 and the fast-tracked launch of the service.
22. A pre-Budget announcement to align with the launch of the NZCRS will provide certainty for New Zealanders impacted by the Auckland flooding event and other natural disasters that support will be available on an ongoing basis beyond 1 July 2023, when the existing funding for Greater Christchurch Claims Resolution Service (GCCRS) and Residential Advisory Service (RAS) is due to end.

### *Funding for Budget year 2022/23*

23. If demand for NZCRS support during the current Budget year is significant, additional funding may be required for the NZCRS to scale-up resources and support services to meet demand above its baseline level.
24. Cabinet has previously noted that in these instances, there would be an ability to seek additional event-specific surge funding. This approach has been used successfully by MBIE's Temporary Accommodation Service, which provides temporary accommodation to households displaced by emergency events.

### **Communications and plans for launch**

25. The launch will involve public communications, including a Ministerial press release, and engagement, which will be undertaken by MBIE in conjunction with my office. Timing of official announcements will need to be carefully synchronised to enable delivery of supporting communications and engagement to stakeholders and the public.
26. Alongside a public announcement, MBIE will communicate the new service launch with partner agencies and other stakeholders. The insurance industry is aware of the service and is supportive. A communications campaign will build awareness of the service, both in Auckland and elsewhere.

### **Legislative Implications**

27. This proposal has no legislative implications.

### **Impact Analysis**

28. The impact statement requirements do not apply to proposals in this paper.

### **Climate Implications of Policy Assessment**

29. The proposal has no climate implications.

### **Population Implications**

30. The proposal has no population implications.

### **Human Rights**

31. The proposal has no human rights implications.

### **Consultation**

32. The Treasury, the National Emergency Management Agency and Toka Tū Ake EQC have been consulted on this paper. The Department of the Prime Minister and Cabinet has been informed.

### **Proactive Release**

33. This paper will be proactively released within 30 business days of decisions being confirmed by Cabinet, subject to any withholdings as appropriate.

### **Recommendations:**

The Minister of Commerce and Consumer Affairs recommends that Cabinet:

- 1 **note** that Cabinet has previously [DEV-22-MIN-0199 refers]:

**B U D G E T   S E N S I T I V E**

- 1.1 agreed to establish the NZCRS as a standing national mechanism to provide support to homeowners with a Toka Tū Ake EQC and/or private insurance claim against a residential property that has been damaged by any natural disaster event;
- 1.2 agreed that the NZCRS will replace the existing Greater Christchurch Claims Resolution Service (GCCRS) and the Residential Advisory Service (RAS) as a single permanent national service, with current GCCRS and RAS claimants being transferred;
- 1.3 agreed to fund the establishment and initial operation of the NZCRS during the 2022/23 financial year by reprioritising the \$4.000 million of funding agreed through Budget 2022 for the Insurance Claims Resolution initiative (which provides one year of funding for RAS and GCCRS);
- 1.4 noted that the NZCRS would provide early resolution, advisory and case management support services in the first instance, with bespoke resolution services to be added once further policy work has been completed;
- 2 **note** that I intend to fast-track the launch of the service to mid-February in order to ensure that it can support homeowner insurance claims arising out of the Auckland flooding event;
- 3 **note** that I submitted an initiative for Budget 2023 for ongoing funding for the NZCRS for 2023/24 and outyears;
- 4 **agree** to an early confirmation of the scaled Budget 2023 NZCRS initiative and funding to support the fast-tracked launch of the NZCRS;
- 5 **approve** the following changes to appropriations to give effect to the policy decision in recommendation 4 above, with a corresponding impact on the operating balance and net debt:

Vote Business, Science and Innovation Minister of Commerce and Consumer Affairs	\$m – increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Departmental Output Expense: Insurance Claims Resolution (Funded by revenue Crown)	-	6.465	6.465	6.465	6.465

- 6 **agree** that the expenses incurred under recommendation 5 above be charged as a pre-commitment against the Budget 2023 Confidential advice to Government
- 7 **note** that the Minister of Commerce and Consumer Affairs will announce the decision in recommendation 4 above ahead of Budget 2023 announcements;

**B U D G E T   S E N S I T I V E**

- 8     **note** that if demand for NZCRS support during the current Budget year is significant, additional funding would be required for the NZCRS to scale-up resources and support services to meet demand above its baseline level.

Authorised for lodgement

Hon Dr David Clark

Minister of Commerce and Consumer Affairs



**Appendices**

Appendix One: Key messages to help homeowners between now and NZCRS launch