

IAG Submission to the Ministry of the Environment on 'improving our resource management system: a discussion document'

2 April 2013

Introduction

1. IAG New Zealand Limited ("**IAG**") supports the intent behind the Government's Discussion Document '*Improving our resource management system*' ("**Discussion Document**"), and in particular welcomes reform to the natural hazard planning and management system in New Zealand.
2. IAG has a direct interest in natural hazard planning, and therefore the scope of this submission is confined accordingly.
3. IAG strongly supports the Government's stated intention for better natural hazard management through reform to the RMA. Specifically, that local government be given greater powers to take into account the effects of natural hazards; and that these additional powers must be accompanied by greater direction from central government in order to ensure that appropriate natural hazard policies be put in place in a timely manner.
4. IAG appreciates the opportunity to submit on this important topic and is pleased that the Ministry for the Environment are, in our experience, receptive to new ideas and discussion on key matters arising out of the Discussion Document.
5. IAG would warmly welcome the opportunity to meet with officials from the Ministry for the Environment to explore ways in which IAG considers natural hazards can be better managed.

6. IAG's contact for matters relating to this submission is:

Bryce Davies, External Relations Manager

T : +64 9 969 6901

E : bryce.davies@iag.co.nz

About the IAG New Zealand Group

IAG New Zealand Limited trades under the NZI and State brands and AMI Insurance limited trades as AMI. IAG New Zealand Limited also underwrites general insurance for some of the country's leading financial institutions (including ASB, BNZ and The Cooperative Bank). IAG New Zealand Limited and AMI Insurance limited have a combined 42% share of the general insurance market, managing 3.8 million policies of 1.5 million New Zealanders. IAG New Zealand Limited and AMI Insurance limited are wholly owned subsidiaries of Insurance Australia Group (IAG), Australasia's largest general insurer.

IAG New Zealand Limited, Private Bag 92 130, Auckland

Summary

7. IAG supports the changes suggested by the Ministry for the Environment in the Discussion Document to:
 - a. amend section 6 of Part 2 of the Resource Management Act 1991 ("**RMA**") to ensure that decision-makers operating under the RMA recognise and provide for the effects of natural hazards;
 - b. amend section 106 of the RMA to give councils greater power to decline resource consent applications, or to add conditions to approved consents, for all types of developments (not just subdivision) in respect of all types of hazards;
 - c. draft a National Policy Statement ("NPS") or National Environmental Standard ("NES") to clearly outline the Government's approach to risk within New Zealand;
 - d. alternatively, draft a template regional plan chapter or similar "best practice" document to guide councils in their management of natural hazards.
8. Whatever direction natural hazard reform takes, IAG believes the following key principles should be adhered to:
 - a. a sound scientific basis for all policy decisions;
 - b. an agreed appetite for natural hazard risk to guide land use policy and practices;
 - c. a nationally consistent approach, and one that is led by central Government;
 - d. consistency with the other goals of reform; and
 - e. an integrated approach to risk, that reaches beyond the scope of the RMA.

Our thinking

9. This reform represents an important opportunity to improve how New Zealand manages its natural hazard risk. The Ministry will be presented with many views on the need for and worth of the proposals. So before outlining ours, we first describe how we have approached this topic.

The role of insurance

10. New Zealand is a geographically young country, prone to natural disaster. A wide range of natural hazard risks impact our built environment. Our own development and use of the land along with a changing climate exacerbate these natural hazards. While they may not be frequent, the risk is ever present and the impacts potentially significant, as the events in Christchurch have shown.

11. Managing these risks is vital if we are to maintain the contribution our homes and business premises make to the economic and social fabric of New Zealand. Insurance is a critical component of this.
12. Insurance is essential for a viable economy; it enables and protects the wealth of individuals, households, businesses and communities.
13. With it, business can take risks, budgeting for growth and development without the fear of unexpected costs arising through damage or loss. Individuals can have the confidence to purchase assets. People can understand where risk resides and recover more quickly from its financial impact. By doing this, insurance reduces the call on the public purse and helps make economic growth more stable.

Managing natural hazard risk

14. Insurance is however only one part of a wider system that manages the risk posed by our geography and climate. Indeed insurers can only fulfil their role if the wider system is effective.
15. First we must identify and understand the risks and their potential impact on our built environment. This requires research capabilities and programmes that focus on not just the science of each peril, but how we can best reduce and recover from their impact. Our Crown Research Institutes and Universities have the lead here.
16. We must educate those whose jobs touch on the management of risk to ensure they are using the latest and best information. We must also ensure that individual home and business owners know the risks they face, what decisions they need to make and how, so that they can effectively contribute to their own management of risk.
17. Although the outcome may seem unlikely, we should where possible seek to prevent natural disasters from occurring.
18. More likely, we should focus on reducing the impact when they occur. This is about ensuring that we keep our homes, businesses and communities out of harm's way as best we can and make them more able to withstand the impact of disasters when they occur. The Discussion document recognises that central and local government have a big role to play here.
19. We must ensure that there is a sound and well managed market for natural disaster insurance. Reform to the EQC is central to this.
20. Any residual risk to property and business owners should be mitigated through remedial actions. This links to how we motivate, educate and support people to take the steps they can take to protect their families, homes and businesses from the impact of disasters and reduce the loss that they and their insurers will bear. This is especially important when we consider that much of our built environment was established long before today's planning and building practices were established.
21. We should have effective preparedness and response. This is the remit of Civil defence, local government and the emergency services.

22. We should look to swift and effective recovery. This is not just about the delivery of insurance funds. It includes building the resilience of individuals, households, businesses and communities, the coordinating and leadership of the recovery effort. Again this falls within the remit of central and local government.
23. It is this broader economic, social and risk management focus that we take to this reform. In short, it must produce a land use framework that effectively contributes to the management of New Zealand's natural disaster risk and its impact on social and economic outcomes.

Principles supporting IAG's submission

24. It is IAG's view that several principles must be taken into account to achieve effective natural hazard management.

Scientific basis for decisions

25. A strong and justifiable scientific foundation should underpin policy decisions regarding natural hazard management. Any decisions about how to plan for and manage natural hazards must be based on objective, consistent and robust technical evidence.
26. This science will help us to understand the hazards present, their likelihoods and impacts, the consequences they have for communities and their economies, and how the hazards can be managed.
27. New Zealand has the scientific institutions in the form of private companies, crown research institutes and universities to undertake the high standard of scientific work needed. The issue lies in the availability and consistent application of that science.
28. Sadly such science is expensive. IAG believes a dialogue about funding needs to occur, to ensure that the scientific basis for understanding natural hazards is robust, comprehensive, and accurate. Without this basis, the outcomes sought through the reforms will be compromised. IAG would welcome being part of that dialogue.

Agreed risk appetite

29. The science must then be translated into clear policy and rules to guide planning and consenting decisions. These policies and rules must be calibrated to ensure they achieve a balance between the investment required in risk reduction and the natural disaster losses that are mitigated.
30. Achieving this requires an agreed, factual view of how much the community can afford to lose to natural disasters. Loss in terms of houses, buildings, infrastructure, heritage and culture, economic activity, and lives and wellbeing. In insurance language, an agreed risk appetite.
31. Only once this level of 'unacceptable loss' is struck can clear decisions be made about the costs that can be imposed through the planning regime to

manage natural hazards; costs borne by the rate payer and individual property owners.

32. Many questions remain about this view of 'unacceptable loss'. For example, is it the same throughout the country, or different for populous and asset-rich areas (such as major cities)? What factors should be considered? How should it be calibrated to deal with national, regional, territorial or community plans and decisions?
33. IAG considers an honest dialogue about how risk appetite should be struck must occur, to ensure that the science is best translated into land use decisions that balance risk reduction and cost. IAG would welcome the opportunity to discuss this topic further with the Ministry as well as being part of any further dialogue.

National consistency

34. Natural hazard management should be nationally consistent in approach, if not outcome. How we make decisions, not the decisions we make.
35. While different regions are exposed to different hazards to different degrees, matching this with varying policy and planning practice creates the *ad hoc* and patchy approach to hazard management we see today. The nature of hazards is that they cross regional boundaries necessitating cross-boundary planning, indeed many are national hazards. IAG contends there should be one best practice approach to hazard management through land use planning.
36. Additionally, the scientific basis for the planning framework must be consistent across all regions. Whilst IAG accepts that different hazards will affect different regions, the science that informs decision making needs to be consistent so that two landowners, or two developers, in like situations but in different regions are treated equally.

Central government best placed to direct changes

37. The management of natural hazard must sit within the boarder balance between environmental protection, economic development and the wide range of other calls upon our environment.
38. IAG contends that the Government is best placed to strike that balance and define how natural hazards are considered within and managed through land planning policy and practice. The eventual planning and consenting decisions should still rest with Local Government.
39. IAG contends that Government is also best placed to balance the competing interests of local government, business and communities in seeing through the necessary reforms and ensuring the outcomes being targeted are achieved.

Consistency with other goals of reform

40. The Discussion Document generally tends to favour the centralisation of planning powers, streamlined planning and consenting and greater direction from central government. IAG supports these changes and considers that natural hazard planning policy is a very good fit with these goals. Indeed natural hazard planning should not be seen as inconsistent with the aims of the other reforms.
41. In addition, aligned with one of the general goals of the Discussion Document, IAG would not support any move towards a greater number of new local government-driven plans and policies, and would instead prefer the simplification of the current resource management regime as it relates to planning for natural hazards.

Integrated risk management

42. IAG agrees with the Discussion Document's proposal that the RMA, the Local Government Act 2002, the Building Act 2004 and the Civil Defence and Emergency Management Act 2002 should be aligned with each other, so that there is a unified approach to hazard management in New Zealand.
43. IAG believes that these four key enactments need to be consistent in their approach to natural hazard planning, in order to promote a more comprehensive management approach.

Specific comments on proposals in the Discussion Document

44. In line with the principles expressed above, IAG submits that the following changes be made to the RMA.

Part 2 of the RMA

45. Section 6 of the RMA should be amended to ensure that decision-makers operating under the RMA recognise and provide for the effects of natural hazards. This will give decision-makers the ability to better plan for natural hazards at a national, regional and district-scale.
46. IAG supports the following wording, as proposed by the Discussion Document:

Principles

(1) In making the overall broad judgment to achieve the purpose of this Act, all persons exercising functions and powers under it in relation to managing the use, development and protection of natural and physical resources shall recognise and provide for the following matters:

...

(l) the risk and impacts of natural hazards.

Section 106

47. IAG supports the proposal

to amend section 106 of the RMA to ensure all natural hazards can be appropriately considered in both subdivision and other land-use consent decisions.

48. This will give councils greater opportunities to take into account the risks of natural hazards in resource management planning. However, IAG caveats its support for this approach on greater guidance being given to councils from central government.

Likelihood and magnitude of risk

49. The Discussion Document proposes that the likelihood and magnitude of the impacts of risk be taken into consideration. The traditional method of doing this has been to use average return intervals (ARIs), for example 1 in 100 year floods.
50. It is IAG's view that New Zealand should move away from this single likelihood-impact point. We are exposed to all manner of likelihoods and impacts at the same time. Understanding the 'curve' that connects these points is essential. For example the additional cost to protect against a 1:00 year flood and a 1:200 year flood may be small yet the difference in the impact of the two events could be inconsequential or catastrophic.
51. Communities must first decide their appetite for risk, and then manage to that. What is an unacceptable loss, what might cause that loss, and then manage the hazard to ensure events don't exceed that loss. In practice this may mean managing to a variety of different return periods across different hazards. But importantly, the return periods will have been selected to fit the communities risk appetite.

Strong guidance from central government

52. The Technical Advisory Group Report¹ and the Discussion Document suggested either a National Policy Statement ("NPS") or a National Environmental Standard ("NES") to direct local government. IAG considers that both of these documents could play a role in natural hazard management.
53. Section 45 of the RMA states that the purpose of an NPS is to state "objectives and policies" for matters of national significance relevant to achieving the purpose of the RMA. An NPS could be used by the Government to set out a specific approach to managing natural hazards.
54. Section 43(1) of the RMA states that NESs prescribe "technical standards, methods, or requirements" in order to manage areas of environmental

¹ Report to the Minister for the Environment's Resource Management Act 1991 Principles Technical Advisory Group (February 2012)

concern. An NES could be used by central government to prescribe precise scientific standards for assessing natural hazards; processes for setting risk appetite, or methods for managing areas subject to natural hazards. Then, as required by sections 43C-E of the RMA, regional and district councils would produce rules which are at least as stringent as the NES itself. This will have the effect of creating a baseline or minimum standard that councils must meet.

55. IAG is supportive of the concept of an NPS or NES in this space. However, an NES or NPS may not necessarily be the best option, and IAG would welcome further discussion on other mechanisms to provide such guidance. For example, a Natural Hazards Chapter "template" could be prepared at a national level to be inserted into all regional plans. Such a template would follow the same lines as the NPS and NES, and would prescribe specific planning measures that regional councils would be required to undertake. Alternatively, industry-led "best practice" standards could be developed at a national level to be used locally.

Conclusion

56. IAG reiterates its support for the Government's stated intentions to better plan for natural hazards in New Zealand. We would welcome the opportunity to discuss these options with the Ministry further.