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Kay Saville-Smith  
Chief Science Advisor  
Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development

Emailed to: [LTIB@hud.govt.nz](mailto:LTIB@hud.govt.nz)

### **ICNZ'S FEEDBACK ON HUD'S LONG-TERM INSIGHTS BRIEFING TOPIC**

1. Thank you for the invitation to provide feedback on the topic for HUD's 2025 Long-term Insights Briefing.
2. Te Kāhui Inihua o Aotearoa / The Insurance Council of New Zealand (**ICNZ**) represents general insurers. ICNZ members provide a wide range of general insurance products, including residential and commercial property insurance, and insure almost all of the residential buildings in New Zealand, including high-rise buildings.
3. Your website states that for the 2025 Long-term Insights Briefing, HUD intends to consider changes and trends in New Zealand's residential housing stock<sup>1</sup>. You propose to focus on the opportunities and impacts associated with the trend towards high-rise housing.
4. We have the following feedback on residential high-rise building. Given the time available, our feedback is necessarily high-level.

#### **Intensification and resilience**

5. We acknowledge the need for more affordable housing. However, we draw your attention to a number of risks associated with greater housing density and high-rise buildings. New Zealand needs a more targeted approach to creating and maintaining the resilience of its buildings to natural hazards, particularly seismic risks and flood risks. This needs to focus on the location of those buildings and on their design and maintenance.
6. It is critical that New Zealand avoids further investment in new property and supporting infrastructure on land that is vulnerable to higher natural hazard risks, particularly flood risk. Where the risks become too high, insurance may not be affordable or available and banks may shorten the terms of loans for at-risk property, with a consequential fall in asset prices. If property value or the property itself is at risk, pressure falls on government to invest in protection or compensate owners. Allowing development in higher risk areas will result in, at best, costly and potentially uneconomic protection measures needing to be put in place or, at worst, interruption, emergency response costs and eventual managed retreat and/or claims for compensation which government (and ultimately rate and taxpayers) have to meet.

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<sup>1</sup> [Long-term Insights Briefing 2025 - Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development](#)

7. If denser, high-rise housing occurs in areas with higher natural hazard risks, it will lead to a higher aggregation of risk to be borne by the insurance market, which may in turn lead to increased premiums.
8. Most of New Zealand's stormwater, wastewater and flood mitigation infrastructure was not built for the population, weather or lifestyles we are leading today. As we experience more extreme weather, previous flood events have shown that our cities' stormwater systems cannot always cope with flash floods and heavy rainfall. Greater housing density may place even more pressure on existing infrastructure which will exacerbate the flood risks we already experience. The Government should explore how the increased pressure on stormwater systems can be offset by green and/or blue urban infrastructure and nature-based solutions that increase the urban environment's "sponginess".
9. The current focus of building regulation on reducing the risks to human life and health rather than on buildings that are also highly resilient to natural hazards, results in the use of building structures that are more likely to suffer unrepairable damage during a major earthquake. This leads to higher insurance premiums and prolongs the recovery of urban areas when disaster strikes, which would be a major issue for people living in high-rise housing. To create a more sustainable housing stock, New Zealand needs to take a more targeted approach to creating and maintaining the resilience of its high-rise residential buildings to natural hazards, particularly seismic risks.
10. Low damage design technologies, such as base isolation, viscous damping and replaceable element designs, have the potential to greatly reduce the damage a building is likely to suffer and the time needed to restore it to service. Constructing all new high-rise buildings in this way would over time result in housing stock and cities that are much more resilient to future earthquakes. There is a need to create a methodology that can replace the New Building Standard metric for existing buildings (particularly multi-storey buildings) so that safety continues to be provided for, but the resilience and durability of buildings is improved. Future building designs should allow for the repairability of structural elements without the need to deconstruct the building which could result in a constructive total insurance loss.
11. Improving the resilience of high-rise buildings to weather-related perils is also likely to be an issue as the climate changes, particularly in areas that will see more rain and/or higher winds.
12. Greater housing density may also mean that there is a higher risk of, or consequence associated with, the spread of fire. This can be aggravated by access issues for fire and emergency services. This is a risk not just to property but to life. It is important that active and passive fire safety is appropriately provided for and maintained in high-rise buildings to mitigate these risks. The current use of flammable insulation materials is a concern for insurers.

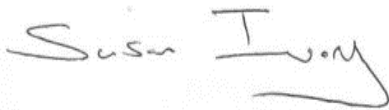
### **Ownership structures and insurance**

13. We have noted risks relevant to high-rise residential buildings above. From insurers' point of view, one of the advantages associated with high-rise apartment buildings is the use of body corporate structures under the Unit Titles Act 2010. Insurers have reported a relatively new trend whereby property developers are marketing multi-unit complexes as "no body corporate fees" and setting up the ownership structure as fee simple, sometimes with a voluntary owners' association. This is more commonly associated with townhouse

developments. While we understand affordability is a real issue for some homeowners, insurers see there will be problems at claim time where shared property has not been insured and deferred maintenance has led to policy obligations not being met. The central problem is the complexity involved in obtaining agreement between multiple unit owners to a building reinstatement pathway. Homeowners may think they have saved money and not understand the trade-off or the risks that they now bear. As you will know, there are requirements in bodies corporate that the multiple dwellings must be covered by the one policy and cover all the common property (such as retaining walls) and have maintenance plans in place. Therefore, the protection to individual dwelling owners in multi-unit complexes with a body corporate are far superior to fee simple arrangements.

14. Finally, we understand that HUD may be considering the insurance provisions in the Unit Titles Act 2010. This is an important issue to consider, and we have previously provided comment to HUD. Please see our feedback of 9 August 2024 provided to HUD's Housing and Rental Markets Team on this issue.

Your sincerely

A handwritten signature in black ink that reads "Susan Ivory". The signature is written in a cursive style with a long, sweeping underline.

Susan Ivory  
**Regulatory Affairs Manager**