23 September 2024

Information for Property Owners

The Insurance Council has been advised that the Nelson City Council is proposing to update their natural hazard maps.

It is well understood that as risk increases, this impacts the cost and availability of insurance. Property owners will be keen to understand the impact on the availability of insurance and their premium levels in the future if natural hazard risk information is changed on their LIMs or property titles.

Insurers believe that increased transparency and awareness of risk is a good thing for homeowners and communities. This can lead to community and local and central government action to plan for and mitigate the impact of damage caused by the identified risks. This can then lead to more resilient, safer and stronger communities which will have greater access to affordable insurance.

Property owners are required to disclose to their insurer if their property has been identified as being at risk from any natural hazard by their local Council, through information being placed on the properties LIM or by way of a Section 74 notice on the property title. Failure to disclose may risk claims to your insurer being declined following an event such as a flood or landslip.

Insurers are in the business of knowing how much risk properties carry, including from natural hazards such as flooding and landslips, whether a Council designates them in a district plan or not. Insurers have ongoing awareness of natural hazards and evaluate this risk throughout the country.

All insurance cover is assessed on a case-by-case basis, where insurers consider the likelihood and impact of all risks to a property, including natural hazards. Insurers gather all relevant information when they make their assessments.

Insurers may take different approaches to risk management in certain locations. Some will underwrite at a property level, and some will underwrite at a community or area level.

It may be that residents are already being underwritten for higher risk at a property level, so any information placed on a LIM may have little or no effect on their insurance and insurability. If the new information highlights greater risk, this may trigger a response from their insurer. However, insurers already use a range of information, including their own models and data. Responses can range from increased premiums to better cover that risk, increasing excesses or in extreme cases, declining to continue cover. On the other hand, if the information highlights lesser risk, premiums may benefit, or product offerings may improve.

Further, those risk items placed on the LIM may only have a small impact on insurance because natural hazards risk is just one area of risk out of many that is being taken into

account. Some examples of perils include flood, fire, earthquake, storm, accidental damage, and impact damage.



Sarah Knox
Consumer Affairs Manager
Insurance Council of New Zealand