

Appendix 1: Analysis of the North Island Weather Events and Nelson floods against the income and cash assets exemption framework

	Insurance pay-outs	Donations	Land buyouts
What is the problem and is an intervention required?	<p><i>Accommodation payments:</i> Include lump sum payments for temporary accommodation costs. The typical amount of insurance cover for temporary accommodation is \$20,000. With a rent of \$770 per week, a household would likely be able to pay for six-months of rental payments before their insurance cover was exhausted.</p> <p><i>Property Insurance:</i> Include lump sum payments when the insurance company decides that the house is uneconomic to repair, and payments of claims for repairs to the property</p> <p><i>Contents Insurance:</i> Include insurance claims for home contents</p> <p>Receiving insurance payment lump sums could mean people are acquiring cash assets and consequently could become ineligible for MSD assistance. It is possible that some people who receive a pay-out cannot repair their home and won't be able to purchase another home with the money they receive, so may have the sum of money for a longer period of time.</p> <p>A person's benefit rate could also be abated due to interest earned on an insurance payment that is retained in savings.</p>	<p>Donations raised for those affected by the Cyclone are planned to be dispersed into affected communities.</p> <p>Donation sums could equate to cash assets which could affect entitlement to MSD assistance.</p> <p>Donations received are likely to be used to buy/replace something that was lost in the weather events, so will likely be used almost immediately. There may not be time (or little point) to assess these payments as being a realisable cash asset which could be exempted.</p>	<p>Government has announced a land buyout scheme for Category 3 properties affected by the weather events.</p> <p>If people choose to take part in the buyout scheme, they will receive large sums of cash assets (which they may hold onto for a while if it takes them a long time to find another property). Having these cash assets could mean people consequently could become ineligible for MSD assistance.</p> <p>A person's benefit rate could also be abated due to interest earned on a buyout payment that is retained in savings.</p>
Can we meet the overarching principle through a channel that does not require regulatory change?	No – an exemption for this payment would be needed, requiring regulatory change.	No – an exemption for this payment would be needed, requiring regulatory change.	No – an exemption for this payment would be needed, requiring regulatory change.

How will an exemption preserve the client's entitlements?	Will ensure that those affected by the cyclone are not disadvantaged in receiving MSD assistance they may be entitled to (prior to receiving one of these payments).	Will ensure that those affected by the cyclone are not disadvantaged in receiving MSD assistance they may be entitled to (prior to receiving one of these payments).	Will ensure that those affected by the cyclone are not disadvantaged in receiving MSD assistance they may be entitled to (prior to receiving one of these payments).
How will it negatively impact others (gender, disability, human rights)?	<i>Equity considerations:</i> if someone receives an insurance pay-out due to a singular event (e.g., fire), they will not be entitled to this exemption but someone who's home was flooded during the extreme weather events will.	N/A	Some people with houses currently assessed as Category 2 may have to wait for confirmation of their property's category which could take some time (e.g. they might be reassessed as Category 3 and then can partake in the buyout scheme). Negotiations for the buyout scheme are likely to take a while. A short time-limited exemption may negatively impact some people due to this.
Can an existing exemption be used?	No – none exist that specifically allow exemptions for the Cyclone and Flooding events	No – none exist that specifically allow exemptions for the Cyclone and Flooding events	No – none exist that specifically allow exemptions for the Cyclone and Flooding events
What evidence and data informs the proposal?	<p>As of 1 June 2023, the combined number of insurance claims for the Auckland flooding and Cyclone Gabrielle stand at 107,569 for private insurance claims and 6,805 for EQ Cover claims. Of the 107,569 claims received 37,326 (35%) have been fully settled. The estimated cost of the two weather events is \$3.18 billion.</p> <p>A state of emergency was declared on 17 August 2022 in the Nelson region due to heavy rain and flooding, also affecting Tasman and Marlborough.</p> <p><i>Auckland Floods:</i> 18,653 claims have been fully settled out of 55,433 (34%) with pay-outs totalling just over \$598 million out of an estimated cost of \$1.659 billion (as of 1 June 2023).</p> <p><i>Cyclone Gabrielle:</i> 18,673 claims have been fully settled out of 52,136 (36%) with pay-</p>	<p><i>NZ Disaster Fund (Red Cross):</i> \$25 million in donations. As of 31 May 2023, \$8.9 of this has been committed to initiatives supported the cyclone and flooding.</p> <p><i>NZ Lotteries Commission:</i> Lotto draw raised \$11.7 million and was drawn in March 2023. None of this money has been dispersed yet.</p> <p><i>The Cyclone Appeal:</i> A Government initiative launched by the PM which has raised over \$830,000 (as of March 2023). Unclear what the donations have been spent on and how much has been spent.</p> <p>Note: the sum of donations raised are much less than any potential insurance pay-outs and land buyouts.</p>	<p>On 1 June 2023 the Government announced they will enter into a funding arrangement with Councils in cyclone and flood affected regions to support them to offer a voluntary buyout for owners of Category 3 designated properties.</p> <p>As of 13 June 2023, 3,884 properties in New Zealand have been assigned a red or yellow placard, meaning that 3,884 households (including both owner-occupied and rental properties) are currently displaced. Of the 3,884 properties that are displaced, approximately 500 households are currently in TAS supplied accommodation.</p> <p>An estimated 700 properties across the country are now considered unliveable due to recent weather events and homeowners will be offered a voluntary buyout through a funding arrangement between the Government and councils. Of the roughly 700 homes that will</p>

	<p>outs totalling just under \$480 million out of an estimated \$1.517 billion (as of 1 June 2023).</p> <p>Currently, we have no knowledge of any specific cases where people have been declined for assistance due to insurance pay-outs exceeding asset limits.</p> <p><i>East Coast F2F declines for MSD assistance (referred by MBIE TAS):</i> 1 declined due to excess assets, 8 declined due to excess income (unsure whether these people had excess income/assets prior to the weather events or whether assets/income were a result of an insurance payment etc.)</p> <p>No known evidence of this being an issue – seems often people are already over the cash asset limit for MSD assistance before they receive insurance pay-outs, so wouldn't be captured by this exemption.</p>		<p>not be rebuilt, around 400 are in Auckland and around 200 of them in Hastings. A further 10,000 homes will require investment in flood mitigation around them so they are protected when the next severe weather event hits.</p> <p>Regarding the Nelson floods, at this stage, there are 26 property owners identified in Nelson that cannot reside in their properties due to the floods.</p>
How does it align with legislative intent?	Exemptions from income/asset rules enable MSD to be responsive to different situations where it would be unfair, unreasonable or inequitable if certain payments made to a person prevented them from accessing social assistance.	Exemptions from income/asset rules enable MSD to be responsive to different situations where it would be unfair, unreasonable or inequitable if certain payments made to a person prevented them from accessing social assistance.	Exemptions from income/asset rules enable MSD to be responsive to different situations where it would be unfair, unreasonable or inequitable if certain payments made to a person prevented them from accessing social assistance.
How can the proposed exemption be implemented and reported on?	<p><i>Implementation:</i> Update MAP with the exemption; no system changes required as only a 'must view note' on CMS is added for asset exemptions.</p> <p><i>Reporting:</i> Unlikely to be ways to report on assets exempted outside of CMS.</p>	<p><i>Implementation:</i> Update MAP with the exemption; no system changes required as only a 'must view note' on CMS is added for asset exemptions.</p> <p><i>Reporting:</i> Unlikely to be ways to report on assets exempted outside of CMS.</p>	<p><i>Implementation:</i> Update MAP with the exemption; no system changes required as only a 'must view note' on CMS is added for asset exemptions.</p> <p><i>Reporting:</i> Unlikely to be ways to report on assets exempted outside of CMS.</p>
What are the fiscal implications?	Fiscally neutral impact overall.	Fiscally neutral impact overall.	Fiscally neutral impact overall.

<p>What are the risks and how can they be mitigated?</p>	<p>Inequity risk. Mitigated by time-limited exemption.</p>	<p>Unsure of when donations will be dispersed and unclear where donations are specifically going (e.g. to individuals, communities?). Mitigation: TBC</p>	<p>Unsure of timing and how long this process will take. Mitigated by having a longer time-limit on this payment (i.e. 24 or 48 months as we did for Christchurch).</p>
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