



NEW ZEALAND
GOVERNMENT PROCUREMENT

Case Study: Achieving better value in risk financing

Risk & Resilience Summit
9 August 2022



MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

[New Zealand Government](https://www.newzealand.govt.nz/)

Opportunity or Issue?

~\$60bn physical property assets

Two claims in last 30+ years

Stronger balance sheet than insurers

\$240m better off over 30 years





NEW ZEALAND
GOVERNMENT PROCUREMENT

Delivering greater public value across the risk financing of critical public assets

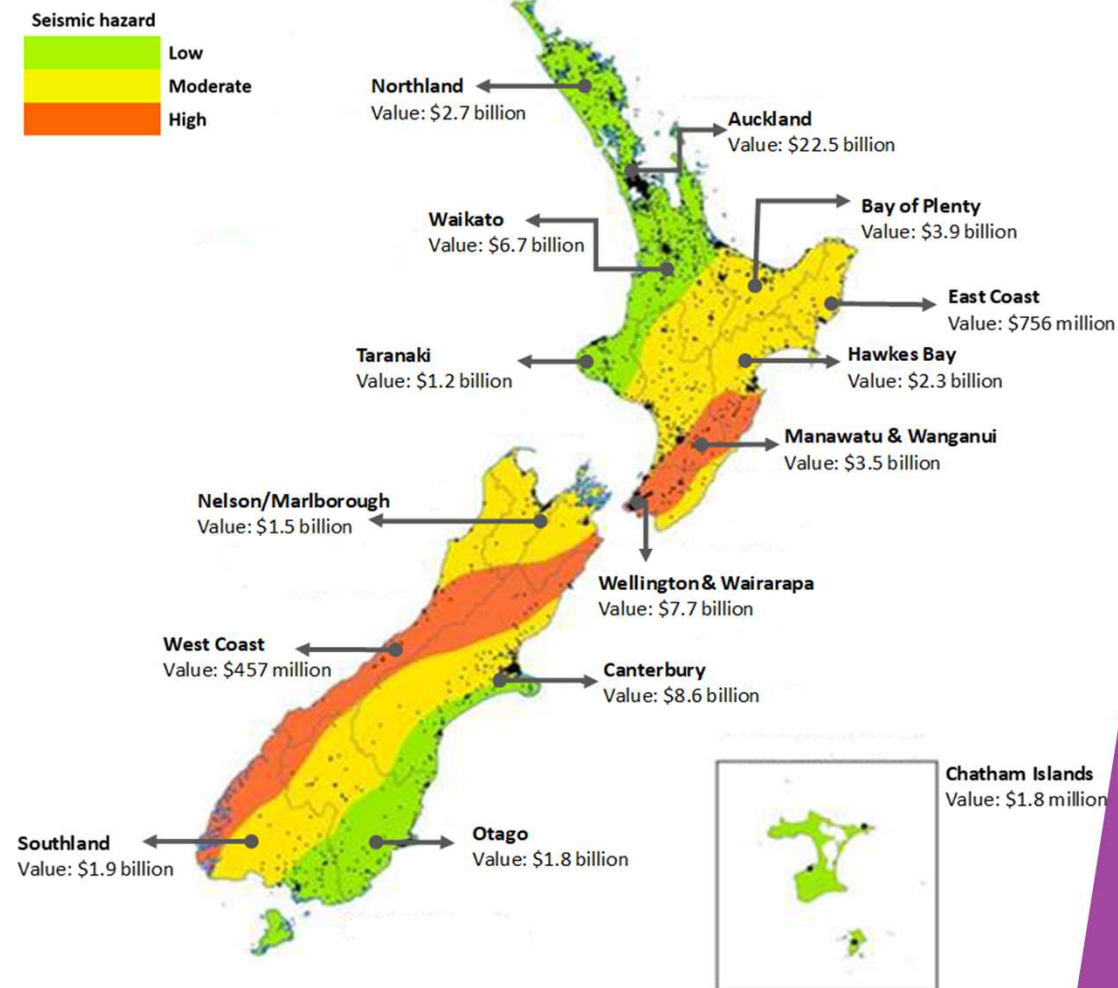


**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

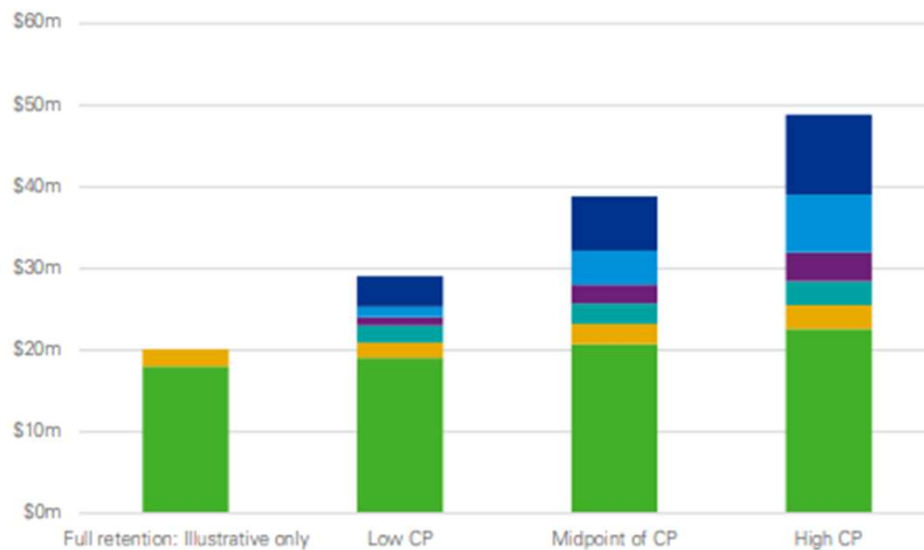
New Zealand Government

Example portfolio of critical public assets

- ▶ Total portfolio >\$60bn
- ▶ Geographical spread throughout country
- ▶ Mix of single-story, mid- and high-rise complex buildings
- ▶ Rural, metro and urban



Illustrative example of contribution and commercial premium



CP = Illustrative Commercial Premium
Midpoint CP = Average of High CP and Low CP



Experience-based rating
(eg. Claims analysis)

Exposure-based rating
(eg. Risk profiles)

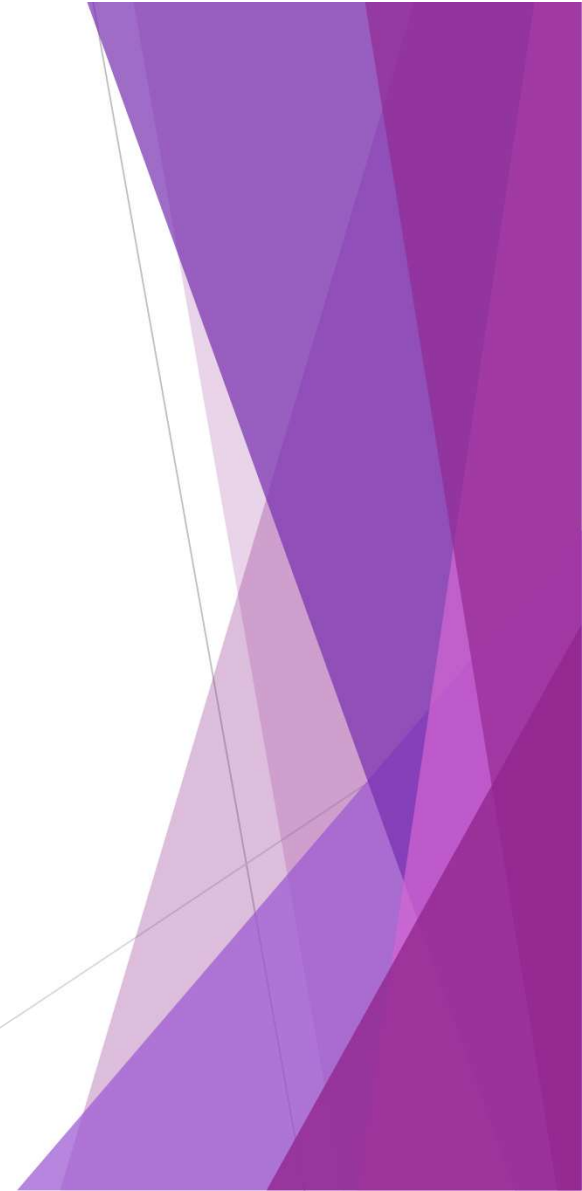


**NEW ZEALAND
GOVERNMENT PROCUREMENT**

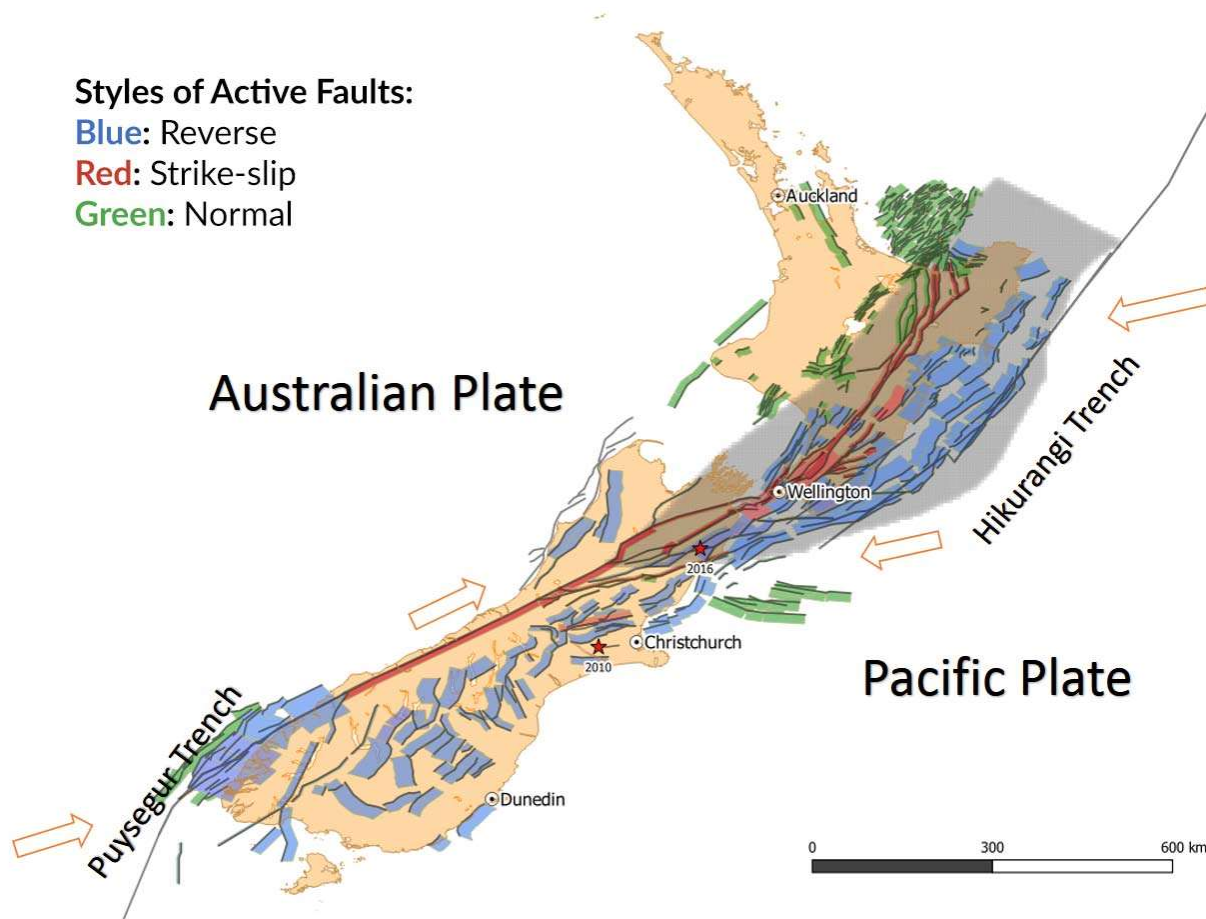
Using data to drive better decision making and build consistency in risk management approach

Using NZ science for NZ risks

- ✓ Collaborating across the system
- ✓ Updating key inputs as they becomes available
- ✓ Single point of truth
- ✓ Support strategic decision making



Technology and Big Data





**NEW ZEALAND
GOVERNMENT PROCUREMENT**

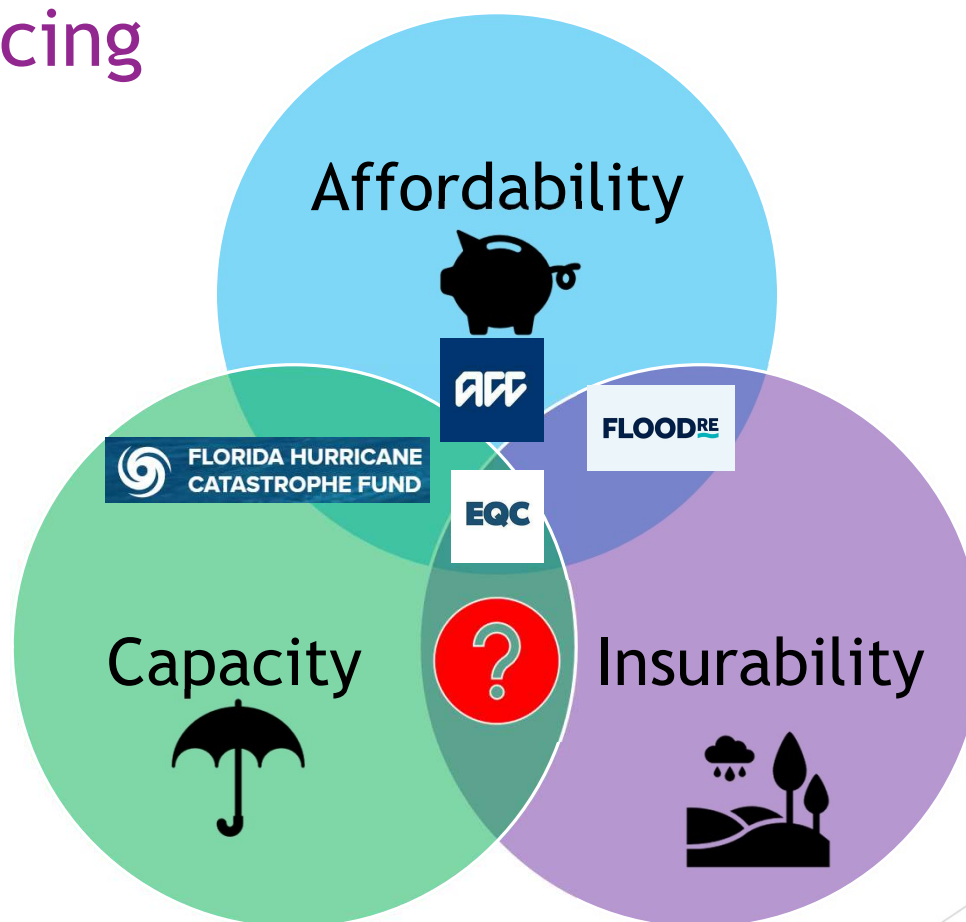
Leveraging government insurance and risk financing spend to build an NZ wide risk profile



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

New Zealand Government

Risk financing here and overseas



Risk financing public assets in other jurisdictions

► FONDEN - Mexico's Natural Disaster Fund

- Established in late 1990's
- Supports the rapid rehabilitation of federal and state infrastructure
- Funds used for public infrastructure (federal, state and municipal level), low income housing, and certain components of natural environment



► ComCover - Australian Government's self-managed fund

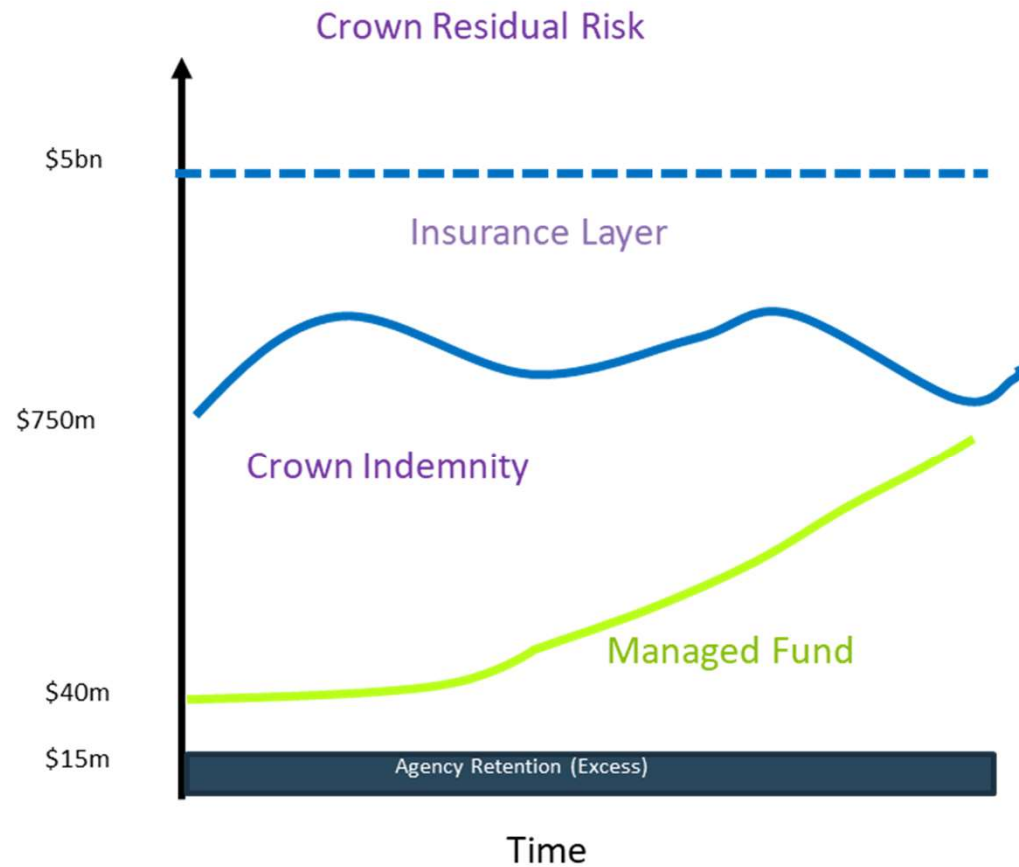
- Established in 1998 - 168 fund members
- Promotes best practice risk management to improve policy formulation and delivery of Australian Govt programs to deliver net benefit to budget over longer term; and
- Provides a comprehensive insurance fund to protect against the impact of insurable losses.



Australian Government

Comcover

Structure of government risk financing





NEW ZEALAND
GOVERNMENT PROCUREMENT

Assisting agencies adapt to climate related risks and build more resilient communities



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

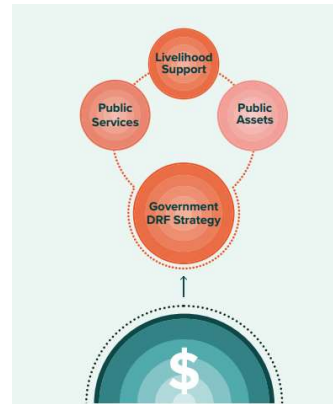
New Zealand Government

Good practice in the design of financial protection strategies against disasters

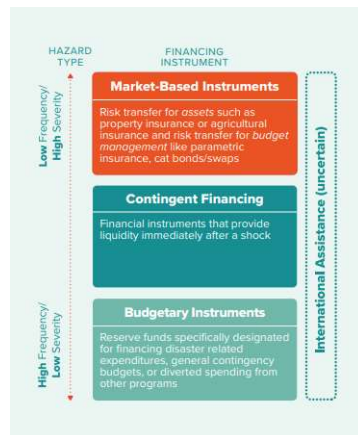
Core Principle 1: Timeliness of funding



Core Principle 2: Disbursement of funds



Core Principle 3: Disaster risk layering



Core Principle 4: Data & Analytics

Share all risk modelling

- ▶ Used by the agencies that paid for it
- ▶ Build regional wide strategies across the public agencies
- ▶ Inform building decisions for the next 50-100 years
- ▶ Collaborate with transport, utilities and energy generation
- ▶ Consider risk mitigation strategies for both residential and public services





**NEW ZEALAND
GOVERNMENT PROCUREMENT**

Wrapping up



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

New Zealand Government

Strategic outcomes

“Delivers greater resilience”

- ✓ Increased risk management capability
- ✓ Balanced incentives
- ✓ Single point of truth
- ✓ Support strategic decision making



- ✓ Improved cost management
- ✓ Utilise economies of scale
- ✓ Reduces future costs of climate risks
- ✓ Drives sustainability within communities

- ✓ Meets statutory, regulatory and organisational requirements
 - ✓ Re-procures services
- ✓ Averts service failure from market retrenchment

Limitations, challenges and opportunities

Explicit Risk

- Disaster-related contingent liabilities can never be fully identified and quantified
- Most of these liabilities are implicit - risk financing will make them explicit

Change

- Requires continued effort to enhance legal, institutional, and policy frameworks.
- Requires leadership and fundamental change
- Requires close collaboration across all stakeholders to develop financial protection measures

NZ Value

- Budget certainty - effective use of public funds
- Freedom to deploy funds where most needed
- Based on NZ Science!
- Reinforces NZ risk profile across the whole insurance industry



NEW ZEALAND
GOVERNMENT PROCUREMENT

Stay in touch

Rachael Pettigrew

MANAGER – RISK FINANCING & INSURANCE

New Zealand Government Procurement Branch | Building, Resources and Markets

Ministry of Business, Innovation & Employment

rachael.pettigrew@mbie.govt.nz | +64 21 823 695

25 The Terrace, Wellington 6011 | PO Box 1473, Wellington 6140, New Zealand |

www.procurement.govt.nz | www.gpg.govt.nz



MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

New Zealand Government