

Canterbury Earthquakes - Residential

Damage from the Canterbury earthquakes is unprecedented in New Zealand. This has led to high demand on resources required for inspection, damage analysis and quantification and decisions as to whether insured properties can be repaired or have to be treated as a total loss.

The initial responsibility lies with the Earthquake Commission (EQC) as the disaster relief provider for residential property including land and contents, subject to the Earthquake Commission Act 1993.

Where damage has exceeded EQC's statutory limits of \$100,000 + GST for buildings and \$20,000 + GST for contents, or where specific items are not covered by EQC, the responsibility lies with the private insurers.

EQC and insurers are working toward getting repairs underway where that is possible. This task is difficult in some areas because of the decisions to be made regarding land remediation.

Inevitably there are frustrations which are giving way to enquiries and complaints. A complaint to EQC or your insurer must be backed up with evidence or proof as to why you believe EQC or the insurer is incorrect with its decision on your claim.

Complaints about EQC

- Complaints about EQC should, in the first instance, be referred to EQC's internal complaint process. Go to [EQC-Contact Us](#). This includes email forms on which to record details of your enquiry or complaint.
- If you are not satisfied with the outcome of the complaint investigation by EQC, you have the right to raise your concerns with the Office of the Ombudsmen at www.ombudsmen.parliament.nz.

Complaints about an insurer

Complaints about an insurer should be referred to the insurer's internal complaints process for review. If this does not provide a satisfactory outcome, the matter can be referred to the ISO, provided the insurer is a Participant in the ISO Scheme.

Check the [list of current Participants](#) and read about [the ISO Scheme](#).

Provided the substance of the complaint falls within the ISO's [Terms of Reference](#), the complaint will be considered at no cost to you. However, it is important to note the ISO can only make a decision about what is fair and reasonable based on the policy wording. The ISO has no power to penalise the insurer, or require it to pay any compensation to you, on a goodwill basis.

To date, the ISO has fielded a number of enquiries and a few complaints relating to the earthquakes in Canterbury. Please see below for comment on some of the most common issues.

Alternative accommodation

Residents who have had to leave their homes because of lack of services or because the property is unsafe face delays. Most insurers provide cover for alternative accommodation following loss or damage to residential property. However, the extent of the cover provided varies among insurers and you should check your insurance policy for your entitlement in this regard.

Continued insurance cover

It is important that you continue to keep your insurance cover in place. If you choose to cancel your home or contents insurance, you need to understand what this means for your insurance cover.

You should consider the following before you make a decision about cancelling your insurance:

Home

- Any undamaged part of your home may still require protection against further loss or damage, prior to and during the rebuild process.
- A property owner is responsible for safety of the property and, therefore, liable for accidental damage to any third party property.
- If you decide to cancel home insurance, EQC cannot accept future claims for damage to your land e.g. if an event occurred prior to repairs/rebuild being undertaken.

Contents

Insurance cover is still needed for contents that:

- are undamaged;
- are removed from your home and in storage while repairs/rebuild work is undertaken;
- you currently have with you and/or any items you purchase; and
- you are responsible for while living in alternative accommodation.

Contents insurance provides personal liability protection against loss or damage you might cause to someone else's property. This is important if you are in alternative accommodation.

It is also important to consider that keeping your insurance current avoids the potential problem of obtaining fresh cover when your property is repaired or rebuilt.

Rental property

Cover for loss of rents only applies if, at the time damage occurs, the property is let, leased, rented or tenanted. There is no cover if the house was vacant and no rent was being received.

Floor-area insurance

It is your responsibility to provide the correct floor measurements of your home for insurance purposes. Your insurance premium is calculated on the floor area of your house (square metres). In a major loss situation, the insurer is only required to rebuild to the floor area in its records.

Undamaged vehicles

There is no cover for an undamaged vehicle even if you have been temporarily unable to access the vehicle for a period.

If you have hired a vehicle during this period, you will only have a valid claim for these costs if:

- i your own vehicle has suffered loss or damage; and
- ii your policy provides cover for a hire vehicle, either as a bonus cover or you have paid for such additional cover.

You need to check your cover with your own insurer.

Settlement offers by insurers

Insurers have engaged project managers and contractors to inspect and assess damage and cost the repairs. This information is provided to the insurer, which then presents it to you as a settlement offer. However, if you want more information about how the settlement figure has been calculated, you can request this information from your insurer. Alternatively, if you are concerned about the amount offered, you can arrange for an independent scope of works, at your cost. This should assist you to identify areas of concern, for referral to and, discussion with, your insurer.

Policy cover

Policy wordings vary, but the intention is to rebuild or repair your home to a condition no more extensive or better than its condition when new, based on policy wordings like *"currently equivalent building materials and techniques"* or *"building materials and construction methods in common use"*.

The effect of this on rebuilding or repair, is that some materials used in your damaged house, may no longer be available and might not be regarded by insurers, in terms of the policy, as modern materials. Therefore, modern materials, such as particleboard or concrete slab, might be used for flooring and aluminium joinery for windows and doors. Areas of flooring can be carpeted or overlaid with timber as required.

Any concerns about building materials should be discussed with your insurer, but it is important to note what your policy provides.

Availability of insurance cover

At present, it is impossible to obtain new house and contents insurance cover in some areas of Christchurch. It may also be difficult to obtain full cover in other areas of the wider

Canterbury region. In some districts, insurers remain cautious and continue to focus on assisting their existing customers.

If you are unable to obtain insurance cover, contact one of the larger insurance broking firms, which might be able to arrange limited cover for you. This is not a matter the ISO can assist you with.

Assessment of repair costs by insurers in relation to Government Option 2

Insurers do not cover land. Therefore, an insurer's assessment is based on the cost of repairing damage to the house and any outbuildings. In other words, the insurer's repair cost estimate is based on what it would have cost to repair the property but for the fact that the land cannot be used again.

Driveways/fences/swimming pools

Damage to this type of property might be regarded as low priority, unless there are extenuating circumstances, such as prevention of access.

Demolition – Options 1 and 2 of the Government offer

The Crown is responsible for demolition costs under Option 1 and this is controlled through CERA. If you choose Option 2, your insurer will be responsible for the costs of demolishing your house, subject to the terms of your policy.

Contents

If you are making a claim to your insurer for lost or damaged contents, your insurer will want to be certain that you owned the items claimed. Notwithstanding that this might not be easy in some cases, your insurer will probably require a reasonable level of proof of ownership. Therefore, you should provide as much documentation as possible in support of your claim, because this will help to speed up the claim process.



Insurance & Savings Ombudsman Scheme Inc.
P O Box 10-845
Wellington 6143
Phone: 04 499 7612
Fax: 04 499 7614
Freephone: 0800 888 202
Website: www.iombudsman.org.nz
Email: info@iombudsman.org.nz