

Canterbury Earthquakes – Small Business

The EQC does not cover business losses, so any cover you have for damage or loss caused by the earthquakes will be under your business insurance. To date, the Insurance & Savings Ombudsman Scheme Inc (the “ISO”) has dealt with 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.

Policy

As a small business owner, following the earthquakes, you may have assumed your business insurance covered you for such things as the physical damage to buildings, equipment and stock, paying rent at temporary alternative accommodation, replacing equipment and/or stock and loss of profits. Your insurance may cover these losses, but the only way you can be sure what you are, or are not, covered for is to look carefully at the wording of your insurance policy. Your first steps are:

1. ***Establish*** who you are insured with, if you secured your insurance through a broker;
2. ***Obtain*** a copy of your full policy wording and any schedules. If you do not have a copy of your policy, your insurance company or broker should be able to provide you with a copy of it; and
3. ***Read*** your policy to establish what you are, or are not, covered for and seek clarification about anything you are uncertain about before taking any action.

When reading your insurance policy, the questions you should be asking are:

- Is earthquake damage one of the insured “perils”?
- What is the excess for earthquake claims?
- What is the total amount payable under the policy (total sum insured)?
- What is the cover for demolition and debris removal costs?
- How long does your business interruption cover last for (the indemnity period)? This is usually 3, 6 or 12 months for small businesses, but occasionally it might be for a longer period.
- What does business interruption mean and what does it cover (e.g. staff wages, increased running costs, claim preparation costs, reduction in turnover and increased costs of working)?

Delays

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 and businesses can be repaired or have to be treated as a total or partial loss.

Inevitably, there are frustrations which are giving way to enquiries and complaints. However, in order to meet claims and ensure that they meeting their obligations under their policies, insurers must ensure that they have all the information they need to process a claim. Make sure you get your insurer’s agreement in advance for any significant expenditure which may be subject to a claim, even if you are still waiting for your claim to be processed.

Proving your loss

You must be able to prove any losses you claim for under your policy. It is important to gather information and evidence to prove your losses, e.g. photos of damage, receipts for replaced items or relocation expenses, and financial records and statements. Depending on your circumstances, it may not be possible to obtain this information, but any information you can provide will help you prove your loss. This may also help your insurer process your claim more quickly.

When you have made a claim under your policy, your insurer will usually appoint a loss adjuster to quantify the claim. You must provide the loss adjuster with any information requested.

Make sure all the information you provide is correct. The consequences of making false statements to the insurer when you make a claim are very serious, so you must be sure the information you give is truthful and correct. If you do not know the answer to a question your insurer or the loss adjuster asks you, or you cannot remember, you should let them know that you will get back to them with the right information. The last thing you want to deal with in difficult circumstances, is an allegation of fraud or false statement.

Business Interruption

In almost all cases, cover for business interruption only covers losses which are caused by some or all of the following:

- the physical damage to your property or equipment; or
- the prevention of access to your business; or
- the supply of goods, services or utilities being disrupted due to the physical damage to your property.

The loss must be a result of the physical damage caused by the earthquake, rather than the effect of the earthquake on trade. For example, if your business was not physically damaged, but there is a downturn in trade or reduced foot traffic as a result of the earthquake, then it is very likely this will not be covered under a business interruption policy.

The cover offered under your policy will be limited to the indemnity period. This is the length of time the cover under the policy will cover; usually this is from the date of the event (i.e. the earthquake claimed for) and the earlier of the date on which your business is no longer affected, or the date on which the indemnity period expires.

The kind of information you may need in order to calculate your claim for business interruption is: monthly profit and loss statements; annual financial statements; budgets and forecasts; payroll records; bank statements; PAYE and GST records; and a list of key events starting at the date your business was forced to cease operations. Some of this information may not be able to be recovered from your business premises, but other professionals, such as your accountant, lawyer or bank, may be able to provide you with copies from their records.

Remember your insurer will have limited knowledge of your business, so it is important that you provide as much information as possible to give the insurer enough to assess your claim.

Complaints about a claim

If you have a complaint about a claim, your first step should be to contact your insurer to make a formal complaint through its internal complaints process. This should be backed up with evidence or proof as to why you believe your insurer is incorrect with its decision on your claim and why you believe your claim is covered under your insurance policy.

The ISO has limited jurisdiction to investigate complaints made by businesses. The ISO can only consider complaints by "small businesses". If a complaint to your insurer does not provide a satisfactory outcome, you qualify as a "small business" for the purposes of the ISO Scheme, and your insurer is a Participant in the ISO Scheme, the matter can be referred to the ISO Scheme.

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

The definition of "small business" is a business with less than 19 full-time employees, it has less than \$1m in net assets and/or turnover. Check the ISO Scheme's [Rules](#) for more detail.

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.



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