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**Ministry of civil Defence & Emergency Management**

**L 17 Bowen House, Parliament Buildings, Wellington 6154. 29 April 2015**

**Insurance Council of New Zealand Response to the National Civil Defence Emergency Management Plan Order 2015**

**The Insurance Council of New Zealand (“The Insurance Council”) appreciates the opportunity to comment on the Emergency Management Plan Order 2015.**

**The Insurance Council would like to make comments on three issues.**

1. **Section 7 - The Principles Underlying the Role of the CDEM Groups are to Promote Sustainable Management of Hazards The Insurance Council believes that the CDEM plan needs to be more specific on how risk management needs to be achieved by providing a frame work for agencies and committee groups to work to. Overall The Insurance Council see’s that the new CDEM plan is weak on Risk Reduction and how it should be integrated into the plan. The Insurance Council recommends that this needs to be given much more focus.**
2. **Section 74 - Financial Assistance this section refers to the EQC Act 1993. The Insurance Council understands that the EQC legislation is currently under review and any new legislation is likely to be implemented during the currency of the CDEM Plan 2015 – 2020.**
3. **Section 80 – Building Management during the Response and Recovery This section discusses building demolitions. The insurance industries experience from the Canterbury earthquakes on the many decisions made to demolish buildings had significant negative implications for building owners and their insurers.**

**The following explanation of our concerns may be useful.**

***Commercial buildings that had suffered damage from the 22nd February 2011 earthquake were demolished under order of the recovery authorities. In some cases, it was alleged that building owners may have given permission to authorities to allow a building to be demolished. In other cases, it was understood that the building owner was unaware of the decision. This all occurred soon after the 22nd February 2011 earthquake event but prior to the establishment of CERA in April 2011.***

***A number of insurers found that they had been prejudiced by these decisions as insured buildings were demolished without the opportunity to assess the building damage. This meant buildings that were demolished could have been repaired, but all evidence crucial to a claim settlement was destroyed. This situation makes it very difficult for insurers to justify to their reinsurers to pay the claim as there was insufficient claims evidence. A number of these claims are still in dispute now four years after the event.***

***Another consequence of buildings being demolished without the insurer’s knowledge is that other property not directly owned by the building owner, such as, the tenants commercial fit out, stock and contents is also destroyed. In one case we are aware of the combined insured value of the tenants fit out exceeded the insured value of the building.***

***It took significant time for insurer and their engineers to be allowed access to damaged buildings in the Christchurch CBD cordon. While we are well aware of the safety issues that existed at the time, authorities made decisions about the demolition without insurers being able to verify and or agree with those decisions as they were not granted access to those buildings.***

***The Insurance Council recommends that any future legislative controls on emergency response would include a protocol requiring that insurers and their engineering experts be able to have direct input to decisions about the fate of buildings and have access to damaged buildings much earlier on than was experienced in Canterbury.***

***Such a protocol would reduce the risks of claims disputes and unrecoverable financial losses as well as facilitate speedier recovery and remove critical grounds for dispute which inevitably delays settlement.***

**The Insurance Council would be happy to provide any additional explanations to the points we have raised if required.**

**Yours Sincerely**

John Lucas
Insurance Manager

