**SUMMARY OF ICNZ SUBMISSION ON REVIEW OF EQC ACT**

**Where ICNZ agrees with Treasury’s Discussion Document**

We support:

* The broad purposes of the Act, but would prefer that the objective of re-housing insured homeowners is made more explicit.
* Legislating the requirement to lodge claims with insurers, but this should extend to assessment of claims too with the proviso that EQC can assume responsibility in the event of non-performance by an insurer.
* Removing contents claims from EQC cover, so the scheme is focused on the primary purpose of re-housing people after a disaster.
* Retention of the status quo for the treatment of residential dwellings in non-residential buildings because apartment dwellings of all types will likely be more prevalent in future and those who live in them should not be disadvantaged.
* An increase in the building cap, but to $150,000 reflecting our view (see below) for the need for a separate siteworks/landworks and building cover to address the serious risk of under-insurance that will result from a combined cover.
* That EQC’s building excess be standardised and limited to $2000, so the excess is affordable and cosmetic damage which would add to the cost of the scheme is reduced.
* That the EQC caps, premiums, excesses and levies be reviewed once every 5 years, ideally in consultation with the private insurance industry, to minimise system change costs and to recognise how circumstances can change.
* That EQC be subject to transparent pricing and transparency principles to reflect sound financial practise.
* That EQC premiums continue to be a flat charge, but the legislation should allow for differentiated claims in future if that is deemed necessary.
* That other forms of risk transfer be available to EQC, but that traditional reinsurance be utilised for the bulk of cover in order to support a sustainable risk based exposure.

**Where ICNZ disagrees with Treasury’s Discussion Document**

We depart from the Discussion Document in some significant ways or propose alternative approaches to address the issues it identifies as follows:

* That due to a significant risk of under-insurance and potential reduction in insurance coverage rates the proposal to combine siteworks into a single building cap be disbanded and replaced with two separate covers, landworks and building cover.
* Landworks would cover all land-enhanced foundation work required to create a building platform.  Insurers would still be liable for foundation work up to what would be required if a house were rebuilt today, but EQC would pick up the additional foundations-landworks needed above this due to land damage from an earthquake or other natural peril it covers, in order to provide a building platform to re-house people.
* We propose a $150,000 building cap acknowledging the cost allocated to landworks.  The landworks cover would be capped at the economic value of a minimum lot size upon which a house can be built.
* That the Act require EQC and insurers to enter into contractual arrangements prior to it coming into effect which transfer all claims management to insurers.  This would include the ability for EQC to audit insurers in the same way reinsurers do world-wide in the insurance industry.  This level of certainty prior to enactment is essential.
* That EQC building cover follows that of the insurer, so all assessments and repair standards are based on what homeowners took out their insurance cover for and so there is no bias in assessment whether the loss is under or over the EQC cap.
* That the current position with EQC providing for appurtenant structures is retained, but that further clarity in drafting is provided in terms of the definition of appurtenant structures and clarity around the property in Schedule 2 of the current Act that is not covered by EQC.
* That EQC cover only fully reinstates on the completion of repairs during the period of insurance.  This significantly reduces EQC’s exposure, preserves the principle of indemnity, encourages repairs to be undertaken in a timely fashion and removes incentives to under-insure for catastrophic events.

**Where ICNZ believes other work is required**

The following identifies other issues that either the Act should address or should be addressed in other ways:

* That sufficient time of at least 18 months be allocated to phase in the new scheme. Apart from changes to policy wordings, systems and the need to develop contracts with EQC, annual reinsurance arrangements will need to transition through to new covers during the 12 months following enactment.
* That more work is required on the Privacy Act over privacy issues and the implications of closer data-sharing post-disaster in the interests of an efficient recovery and to better assist the most vulnerable.
* That the Act be amended to enable the sharing of information by EQC to be more permissive to assist in recovery efforts.
* That issues arising from non-compliance with the Unit Titles Act and complications arising from the exercise of entitlements in multi-unit buildings be reviewed.  These matters have contributed to complicating and delaying recovery in Canterbury.
* To require complaints about EQC claims management to be registered with one of the independent Dispute Resolution Schemes (ISO and FSCL), so if insurers are handling EQC claims they are not caught in a double jeopardy situation.
* To permit the assignment of EQC claims to insurers and clarify who has an insurable interest in a property.
* To clarify that EQC has responsibility to meet temporary accommodation and storage costs if people or their goods need to be removed to enable under cap repairs to be take place.
* To clarify that EQC’s Claims Handling Expenses are project management costs that are payable over and above the EQC cap.
* To amend the Act so that EQC cover continues to apply where a building is awaiting rebuild following damage due to a natural disaster, regardless of whether it is currently habitable.
* That the value of the EQC settlement be based on the actual, final cost to repair quantified at the time of settlement.
* To limit EQC’s extensive and sweeping salvage rights.