

13 April 2011

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## CANTERBURY EARTHQUAKE RECOVERY BILL

Thank you for your question raised by the New Zealand Law Society in relation to Clause 40 (2)(a) (ii) and Clause 54 (7).

We suspect that the concern raised by the New Zealand Law Society is not going to be an issue for insurers or their customers.

If a building is requisitioned or demolished or damaged by order of the government or local authority, then the insurers normally do not become liable for the owner's loss of the property.

A typical exclusion in most insurance policies would read as follows:

*'Confiscation, requisition, or destruction of or damage to property by order of government or local authority unless the order is given for the purpose of controlling fire or another peril for which insurance is provided by this policy.'*

The reference the New Zealand Law Society makes to **40 (2)(a) (ii)** as we understand it, refers to assignment of insurance proceeds to the Crown if the owner is going to be compensated by the Crown. This simply prevents 'double-dipping' by the property owner, ie. it stops the owner being able to claim off both the Insurer and the Crown.

It would appear that the Auckland District Law Society is referring to the assignment of the insurance policy covering a property to a new owner, such as a sale and purchase arrangement. Following the 22 February earthquake event, insurers were not providing new insurance covers for risks in Canterbury. This could have included both residential and commercial, and mainly affected people who were purchasing new properties. However, a number of insurers are now providing new property purchase cover for their existing customers. Some insurers are now beginning to relax those earlier cover stand-downs and we believe within a short timeframe the ability for new property owners to obtain cover will be largely back to normal. However, most insurers will require detailed pre-insurance engineering and building inspections. This we believe has nothing to do with Clause 40 (2)(a)(ii).

**Clause 54 (7)** that the New Zealand Law Society refers to, involves land.

Private insurers do not cover land, either for residential or commercial. If an insured building is claimed by the Crown because the land it sits on is forfeited to the Crown, then this will not present a problem to insurers as cover is not provided.

I hope this clarifies the issues raised by the New Zealand Law Society.



Chris Ryan  
Chief Executive