

# The Treasury

## Earthquake Commission (EQC) Act Review Submissions Information Release

### Release Document

July 2017

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# **New Zealand's Future Natural Disaster Insurance Scheme**

Proposed changes to the Earthquake  
Commission Act 1993

Submission Form

July 2015

## New Zealand's Future Natural Disaster Insurance Scheme Proposed changes to the Earthquake Commission Act 1993

### Your responses

Please write your response in the template below.

Please note:

- ▶ you **do not** need to answer all sections – just the ones where you have information you would like to contribute
- ▶ please expand or delete boxes as you need to but **do** keep the original question numbers.
- ▶ please **do not** send us reports or other documents but **do** include references or links to supporting evidence or information
- ▶ please submit your response to [Submissions.Eqcreview@treasury.govt.nz](mailto:Submissions.Eqcreview@treasury.govt.nz) by 5.00pm on Friday 11 September 2015.

Thank you for your time and effort in making your submission.

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Grounds for withholding information are outlined in the OIA. Reasons could include that the information is commercially sensitive or that you wish personal information, such as names or contact details, to be withheld. An automatic confidentiality disclaimer from your IT system will not be considered as grounds for withholding information.

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## Your contact details

### For individuals

Your name:	David Middleton ONZM
	Indicate here if you do not wish your name to be included in any summary of submissions that we may publish.

Email address:	[1]
Phone number:	

What city, town or province do you live in?	Wellington
Do you own your own home?	

### For organisations

Organisation name:	
Nature of your business:	

Contact person name:	
Position:	
Phone number:	
Email address:	

In what city, town or province is your organisation's New Zealand headquarters?	
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## What is the purpose of the EQC scheme?

### Proposal for discussion

1 That the purpose of the EQC Act be to establish a Crown-owned natural disaster insurance scheme for residential buildings in New Zealand that:

- ▶ supports, complements and is closely coordinated with the provision of effective private insurance services to the owners of residential buildings
- ▶ recognises the importance of housing in supporting the recovery of communities after a natural disaster
- ▶ supports improved resilience of New Zealand communities and an efficient approach to the overall management of natural hazard risk and recovery in New Zealand
- ▶ contributes to the effective management by the Crown of fiscal risks associated with natural disasters.

### What do you think?

1a Do you agree that these purposes are appropriate and complete? No

1b If not, what changes would you suggest, and why?

The first point limits the potential of the EQC scheme by restricting it to the provision of insurance. A primary problem of insurance in post disaster recovery is that it is backward-looking. The purpose of insurance is to return claimants to the financial position they were in before the event. As the Canterbury experience has shown, a return to the ex-ante position is for many people either impossible or not what they want, cash payments may be inappropriate for the claimant's own or public policy reasons and people whose homes have been severely affected by disaster may need more help than mere compensation or repair. The EQC scheme has the potential to provide more than an insurance reaction to housing issues following a disaster; it could take on a government's obligations for the welfare of those who have been most severely affected. By exchanging the current scheme's liability for those less affected (leaving them to deal with the private sector insurance industry) for a greater liability for those who have lost their homes, the EQC scheme could be better aligned with central government obligations to citizens and have an overall cost not much different from its current.

I suggest a change to:

1 That the purpose of the EQC Act be to establish a scheme that:

- ▶ recognises the importance of housing in supporting the recovery of communities after a natural disaster
- ▶ aims to enable people to return to their homes or alternative permanent accommodation as soon as possible if they have been displaced by a natural disaster
- ▶ supports improved resilience of New Zealand communities and an efficient approach to the overall management of natural hazard risk and recovery in New Zealand
- ▶ contributes to the effective management by the Crown of fiscal risks associated with natural disasters.

## What types of perils will EQC cover?

### Proposal for discussion

2 That EQC continue to insure against the following perils: earthquake, natural landslip, volcanic eruption, hydrothermal activity, tsunami, and storm and flood (with, in the case of storm and flood, only residential land being covered).

### What do you think?

*2a Do you agree that EQC should continue to provide cover against the same perils as it currently does?*

1. Yes, if the scheme continues on a “named perils” basis. However, the scheme’s list of perils currently relies on the private sector’s being prepared to insure storm and flood damage to homes. In other countries this coverage is not automatically available (e.g. in UK and Australia) as it is in New Zealand and, if the overseas practice of exclusion or “red-lining” becomes prevalent here, there may seem to be no logic in EQC’s not including storm and flood as part of its natural disaster insurance for homes. As an alternative to considering adding more perils to the list from time to time would be to adopt a wording such as “any damage proximately caused by seismological, volcanic or meteorological events”. Such a construct could be combined with coverage only for homes rendered uninhabitable through such events.

2. An extension of the named perils basis of cover is exemplified by the Spanish Consorcio, which insures for named perils but has a separate item named “extraordinary catastrophes”, which are disasters declared by the government to be so. Thus the 2001 Waihi mining stope collapse that engulfed fifteen homes and threatened several others, but was not insured either by EQC or the private sector because it was defined as subsidence, could have been declared an “extraordinary catastrophe”. In effect, this is what happened, with EQC paying the government a dividend equal to the amount paid out in EQC-administered claims. The liability for “extraordinary catastrophes” would probably have to be carried without recourse to reinsurance (the Consorcio does not reinsure any of its liability).

*2b If not, what changes would you suggest, and why?*

Following from my answer to 1b above, the scheme could be focussed on the consequences of an event rather than the type of event. So, if a home is so severely damaged by a disaster of any kind that it is uninhabitable (conceptually, even a house fire could be included), then EQC protection could apply. Modern insurance practice tends to this by covering “physical loss or damage from any cause not excluded”, or similar phrasing, rather than naming a suite of perils.

## What types of property will EQC insure?

### Proposal for discussion

3 That EQC building cover continue to be available to residential buildings and dwellings in non-residential buildings.

### What do you think?

*3a Do you agree that EQC building cover should continue to only be available to residential buildings and dwellings in non-residential buildings?*

Cover should continue to be based on residential property, but see comment below.

*3b If not, what forms of accommodation or living arrangements do you think should be added or removed, and why?*

The current rules that require a building be divided into residential and non-residential portions when the residential area is less than 50% of the total have raised difficulties in the past. Commercial buildings with some residences (for example an office block with penthouses) are insured in the commercial department of insurance companies and often the EQC levy is overlooked.

There can be difficult demarcation disputes over common areas such as entrance ways, stair wells and lift shafts, as to whether they come into the EQC cover or the insurance company's. The Act allows for an area equal to that of the dwelling to be added to EQCover, but such an area is never delineated before a claim. Debates occurred in claims settlements, valuations and what constituted a self-contained dwelling.

An alternative structure would be based on dominant use, so that, if more than half the entire building were residential then the entire building would come under the EQC scheme – as is the case now – but if less than half the building were residential, then none of it would qualify for EQC cover. In this way, inclusions or exclusions would be based on entire buildings, not on parts of a building. Careful drafting of definitions would be required to control what is considered one building and what is residential use.

### Proposal for discussion

4 That EQC land cover only be available for land associated with residential buildings. Therefore, dwellings in non-residential buildings would not receive any EQC land cover.

#### What do you think?

*4a Do you agree that EQC land cover should only be available for land associated with residential buildings?*

Yes, and if the dominant use principle described under Section 3 were implemented, the same land cover rules would apply to all EQC insured dwellings, unlike now for buildings that are part-residential and part non-residential, where the rules are debatable.

4b If not, what coverage of land cover would you prefer, and why?

## Extending building cover to include more siteworks and main access way

### Proposal for discussion

5 That EQC building cover be extended to include siteworks and the main access to the building.

#### What do you think?

*5a Do you agree that EQC building cover be extended to include siteworks and the main access to the building?*

Yes.

5b If not, what do you think should be done instead, and why?

## EQC to no longer provide contents insurance

### Proposal for discussion

6 That EQC no longer offer residential contents insurance.

### What do you think?

*6a Do you agree that EQC should no longer offer residential contents insurance?*

Yes, but this could be replaced with a displacement allowance. An early feature of the Canterbury experience was the inadequacy of the private sector temporary accommodation allowance in contents insurance policies. This is set at a proportion of the contents sum insured or a maximum period. In either case, many families exceeded the amount available in alternative accommodation costs. EQC could provide cover for temporary accommodation in excess of, say, three months, which would encourage insurance companies to set their own limit at this period, through the competitive process.

*6b If not, what level of contents cover do you think EQC should offer, and why?*

*6c For insurers, what do you anticipate the impact would be on premiums your company charges for residential contents insurance, if EQC no longer offered residential contents insurance?*

Please note the information in section 1.4 regarding the Official Information Act.

## How much insurance will EQC offer?

### Proposal for discussion

7 That the monetary cap on EQC building cover be increased to \$200,000 + GST.

### What do you think?

*7a Do you agree with the proposed increase in the building cap to \$200,000 + GST?*

No

*7b If not, what cap would you prefer, and why?*

1. If a cap is to be applied then to be the monetary equivalent of the cap set in 1993 of \$100,000, it should be around \$300,000. The original cap was set in relation to the "NZ modal home", a concept that I believe has now been abandoned by the Building Economist publication, but it would seem clear that such a home would be more extensive almost a quarter of a century later.
2. However, demarcation problems with private sector insurers would be resolved if EQC covered residential buildings to their full insured value. This would also resolve the first loss premium issue, where equity dictates that owners of more valuable homes should pay a higher first loss premium than those with homes of a lesser value. Currently, "the poor are subsidising the rich". For example, a home worth \$500,000 would need to sustain only 20% damage to obtain a maximum EQC payout, but a home worth \$250,000 would have to sustain 40% damage – a far less likely occurrence. Yet both homeowners are paying the same premium because it is based on the cap, not on the total value at risk, which is the basis on which an insurance company would rate a first loss policy (i.e. by applying a discount to the premium for insurance to full value).
3. The higher the cap, the faster the Natural Disaster Fund should grow because the premium growth will exceed the growth in EQC's liability. For example, increasing the cap by 200% would increase



EQC's premium in almost the same ratio (some homes would not have a sum insured as high as \$300,000) but would increase EQC's claims liability by a much lower percentage because the probability of claims between \$100,000 and \$300,000 is much lower than that of claims up to \$100,000. Removing the cap altogether would be of maximum advantage to the Natural Disaster Fund.

7c Do you have strong views on the merits of a \$150,000 + GST cap versus a \$200,000 + GST cap?

7d If so, what are they?

7e For insurers, what do you anticipate the impact would be on premiums your company charges for residential property insurance, if the proposals in this document regarding changes to building cover were implemented? Please provide this information for a monetary cap for EQC building cover of both \$150,000 and \$200,000.

Please note the information in section 1.4 regarding the Official Information Act.

## Reinstatement of EQC cover after an event

### Proposal for discussion

8 That EQC building cover reinstate after each event.

### What do you think?

*8a Do you agree that EQC cover should reinstate after each event? If not, what is your preferred alternative, and why?*

It would seem more logical for cover to reinstate after repairs have been completed, for only then is the subject matter of the insurance again in existence. This argument would be even stronger if EQC covered to full insured (replacement) value.

If a home was damaged repeatedly while undergoing repairs until it became uneconomical to repair, then a total loss settlement could be made and EQCover cancelled (as is currently provided for). An additional provision could allow costs to be ignored in the final settlement when they were incurred before repairs exceeded the sum insured because of ongoing natural disaster activity. This method would effectively apply reinstatement immediately (and retrospectively) in the case of total loss settlements but only after repairs where partial damage has occurred.

*8b Do you agree with retaining the current definition of an event?*

Yes

8c If not, what is your preferred definition, and why?

## EQC land cover

### Proposal for discussion

9 That land cover be limited to situations where the insured land is a total loss meaning it is not practicable or cost-effective to rebuild on it.

### What do you think?

9a Do you agree that the proposed enhanced building cover, combined with restricting land cover to situations where the site of the insured building cannot be rebuilt on, would resolve, for future events, many of the recent difficulties with the interaction between land and building cover?

Yes

9b If not, what is your preferred alternative, and why?

9c Do you agree that restricting land cover to situations where the site of the insured building cannot be rebuilt on is appropriate, given the EQC scheme's focus on providing homeowners the resources to repair, rebuild or re-establish homes elsewhere?

Yes

9d If not, what is your preferred alternative, and why?

9e Do you have any concerns regarding the proposed change to the configuration of building cover in light of the move by most insurers to provide sum insured home insurance policies?

No – because I believe that the change to nominated sum insured has been over-hyped. It is not so long ago that this was the default position for insurance policies. More public information about the need to be only approximately correct, the additional premium involved in moderate over-insurance being not significant and the danger of being modestly under-insured being considerably relieved by the Insurance Law Reform Act which prevents insurance companies from applying average to claims.

9f If so, what is your preferred alternative, and why?

## Better aligning EQC and private insurers' standard of repair

### Proposal for discussion

10 That EQC's current statutory repair obligation already appears broadly consistent with industry practice.

### What do you think?

10a Do you agree with the Government's assessment that EQC's legislated standard of repair is broadly consistent with current industry norms?

Yes – but I question whether this should be so, and whether EQC should provide something more than cheap insurance. See my response under Section 10c.

*10b If so, do you have views on why EQC's standard of repair is seen as markedly different from current insurance industry norms?*

Much publicity seems to have been given to EQC's pre-Canterbury events practice of settling most claims by cash payment, and assuming the Government prohibited this for Canterbury earthquake claims. The Ministerial-directed alternative of setting up an EQC-controlled repair facility seems to have aroused suspicion that one of the objectives was to control claims expenditure by minimising repairs and lowering their standard. I suspect also that EQCover is not equated with private sector cover and claimants did not expect the limitations of the latter would apply to their EQC claim. In other words, people did not expect EQC to behave like a private sector insurance company but to confer a wider benefit on claimants with damaged homes. Considerations of the future role of EQC need to bear in mind this level of expectation.

*10c If not, do you have suggestions for reforms that you consider would move the EQC standard of repair closer to current insurance industry norms for residential property?*

As stated throughout this submission, I question whether EQC should be aligned with insurance industry norms of coverage or claims settlements. Restricting the major function of EQC to providing the same service as an insurance company, but cheaper, seems to me to be missing an opportunity to design a scheme that could better achieve the other aims of supporting recovery from disaster by ensuring the availability of adequate housing, supporting improved resilience and contributing to the effective management of the Crown's fiscal risk.

If affordable insurance is to be the primary objective of EQC, this could be achieved through converting EQC into a reinsurance provider, for example along the lines of the Florida Hurricane Catastrophe Fund, which is reportedly able to supply reinsurance to insurers at about 40% lower cost than the global reinsurance market. The Council of Australian Governments 2011 report, "National Strategy for Disaster Resilience" recommended the formation of an agency to operate a system of premium discounts and a flood risk reinsurance facility to support these. See my 2012 report to EQC, "Insurance Shocks".

If EQC were a reinsurer, the standard of repairs would be a matter for the private sector insurance companies only.

## Simplifying EQC's claims excess

### Proposal for discussion

11 That EQC has a standard claims excess of \$2,000 + GST per building claim.

### What do you think?

*11a Do you agree that EQC's building claims excesses should be standardised and simplified to a flat dollar amount?*

I agree the excess provisions should be simplified and that the excess should be applied per residential building and not per dwelling, as it is now. This would resolve the situation of a dwelling owner in an apartment building, for example, having to bear an excess related to the number of apartments in the building.

*11b If yes, do you agree that \$2,000 + GST is the appropriate claims excess on building claims?*

Adding gst to the excess amount is unusual. If the non-inhabitability criterion for a claim on EQC was adopted (see Section 2b), there would be no reason for any excess.

*11c If not, what would you prefer, and why?*

A franchise (also known as a disappearing excess) has advantages. It would allow a higher threshold before claims were acceptable, thus avoiding claims for minor or cosmetic damage while making EQC liable in full for all acceptable claims. This would remove the administratively irksome task of recovering excesses from all claims.

The main disadvantage is the moral risk. There is a temptation for claims to be evaluated at just over the franchise level in order for them to be accepted in full. There are ways of managing this, including giving EQC the discretion to accept claims that are close to the franchise figure.

Alternatively, defining the excess as a percentage of the total insured value of the residential building would go some way to alleviate the first loss anomaly I describe in Section 7b. Then, the owners of more highly valued homes would incur a larger excess than the owners of more modest dwellings. Special provisions may have to be devised for apartment owners and others in multi-dwelling residential buildings.

### Proposal for discussion

12 That EQC have no claims excess on land claims.

### What do you think?

*12a Do you agree that EQC should have no claims excess on land claims?*

Yes

*12b If not, what would you prefer, and why?*

## Regularly reviewing main monetary settings of cover

### Proposal for discussion

13 That the EQC Act require monetary caps, premium rates and claims excesses on EQC cover to be reviewed at least once every five years.

### What do you think?

*13a Do you agree that monetary caps, premium rates and claims excesses on EQC cover should be reviewed at least once every five years?*

Yes

13b If not, what alternative would you prefer, and why?

## How will homeowners access EQC insurance cover?

### Proposal for discussion

14 That EQC cover continues to automatically attach to fire insurance policies on residential buildings, as defined in the EQC Act.

or

15 That EQC cover automatically attach to insurance policies on residential buildings, as defined in the EQC Act, on a peril by peril basis; so if a peril covered by EQC is excluded from the private policy, it is also excluded from the EQC cover.

### What do you think?

*14a Do you agree that EQC cover should continue to automatically attach to fire insurance policies on residential buildings? Or*

Yes. The compulsion element should operate both ways. If homeowners are to continue to be required to take out EQCover with their fire insurance, then EQC should be required to accept the insurance. This is better aligned with EQC's proposed objective of recognising the importance of housing and improving community resilience.

15a do you agree that EQC cover should automatically attach to insurance policies on residential buildings, and EQC cover should exclude any natural disaster peril that is excluded from the fire insurance policy it attaches to?

15b If you do not agree with either of these options, what alternative arrangement do you prefer, and why?

### Proposal for discussion

16 That EQC continue to have the ability, but not the obligation, to directly provide EQC cover to homeowners who request it.

### What do you think?

16a *Do you agree that EQC should continue to be able, but not be obliged, to directly provide EQC cover to homeowners who request it?*

Yes

16b If not, what alternative arrangement would you prefer, and why?

## Who will handle EQC claims in future?

### Proposal for discussion

17 That all EQC claims be lodged with claimants' private insurers.

### What do you think?

17a *Do you agree that EQC claimants should be required to lodge all EQC claims with claimants' private insurers?*

No

17b *If not, what alternative arrangement would you prefer, and why?*

EQC has operated a dual system of allowing claims to be reported with either the Commission or the insurer, the deadline applying to either lodgement. This was in response to widespread confusion about whom claimants should contact in the first instance. With work continuing on streamlining the data exchange mechanism between EQC and insurers the current system would seem to serve the public best. In the 1990s EQC investigated outsourcing its claims handling to insurance companies. It decided on the alternative of a third party claims administrator. This worked well until the Canterbury earthquakes apparently rendered the cost-plus charging system unsupportable. Several problems arising from insurance company involvement in EQC claims were identified, including the enforcement of consistency, issues of prioritising, and the overheads of monitoring, training and auditing. The California Earthquake Authority contracts with insurance companies for the handling of claims under its cover. It maintains extensive manuals and website guidelines and conducts regular training of insurance company staff. It also audits claims and provides an advisory service. One wonders if it would be better to handle the claims itself.

## Deadline for reporting claims

### Proposal for discussion

18 That the current three-month time limit for claims notification be retained, but EQC be able to accept claims up to two years after an event, unless doing so would prejudice EQC.

### What do you think?

*18a Do you agree that the current three-month time limit for claims notification should be retained, but EQC should be able to accept claims up to two years after an event, unless doing so would prejudice EQC?*

No

*18b If not, what alternative arrangements would you prefer, and why?*

I agree the three month period is too short and I suggest extending it to twelve months. I do not agree with removing the protection of EQC's non-discretion over late reporting. The 30 day period had to be virtually abandoned because of pressure from politicians, the media and others (and a feeling of being fair to those who did not resort to these means) whenever EQC attempted to apply it. Granting EQC discretion is tantamount to removing the restriction.

## Ensuring the scheme meets its expected costs

### Proposal for discussion

19 That the new EQC Act contain pricing and transparency principles requiring the scheme to adequately compensate the Crown for its expected costs and risks.

### What do you think?

*19a Do you agree that the new EQC Act should contain pricing and transparency principles requiring the scheme to adequately compensate the Crown for its expected costs and risks?*

These would be useful if they were accompanied by a government statement of its risk appetite to establish a logical risk management strategy. For example, if the government were to have its risk of a call on the guarantee actuarially priced (with a factor included for Crown risk appetite), then EQC could aim to purchase protection for the Natural Disaster Fund from the private sector so long as this was a more cost effective option than paying for the guarantee. This would be an iterative process because the extent of EQC's purchases of reinsurance or other protection would affect the pricing of the guarantee but it is possible to arrive at a formula to support the decision making.

Both this concept and that of adequately compensating the Crown for its risk-taking presuppose the Natural Disaster Fund is sufficient to provide a significant first tranche, or else the costs would seriously inhibit the ability of EQC to grow the Fund at all. It would seem advisable to build in a moratorium on these measures while the Fund is below a certain balance. Financial modelling could shed light on the point at which the Fund could afford an actuarially calculated premium for the Crown guarantee and still grow.

*19b If not, what alternative arrangements would you prefer, to ensure the scheme's future financial sustainability, and why?*

## Allow but do not require differentiated EQC premiums

### Proposal for discussion

20 That the current legislative flexibility to charge flat-rate or differentiated EQC premiums be retained.

### What do you think?

*20a Do you agree that the current flexibility to charge flat-rate or differentiated EQC premiums should be retained?*

Yes. EQC's current ability to apply differentiated premiums is only for direct applications for cover and has been used to recognise the additional administrative burden and not for underwriting purposes.

20b If not, what alternative arrangement would you prefer, and why?

*20c Do you agree with the Government's intention to continue charging EQC premiums at a universal flat rate?*

Yes.

1. The principle of differentiated premium rating may be sound but its implementation is fraught with difficulty. The extent of differentiation, criteria used and boundary drawing are all areas for controversy. If EQC is to be a compulsory purchase then the choice taken away would have to be balanced by an appeal system and this could become onerous. There is also large scope for mistakes, especially by staff of insurance companies whose training priorities would not place EQC's rating schedules very highly.

An example of controversy over differential rating is the current ACC difficulty with motor vehicle registration based on the safety rating of cars.

2. If a differentiated premium system were to be considered, the most glaring inequity is the flat first loss premium rate, under which the owners of modest homes are being penalised in comparison with the owners of more extensive homes (see Section 7b., my paragraph 2).



## How will EQC finance its risk?

### Proposal for discussion

21 That the Natural Disaster Fund be retained in broadly its current legislative form.

### What do you think?

21a *Do you agree that the Natural Disaster Fund should be retained in broadly its current legislative form?*

Yes

21b If not, what changes would you like to see considered?

### Proposal for discussion

22 That the Act enable EQC to use other forms of risk transfer, in addition to traditional reinsurance.

### What do you think?

22a *Do you agree that the Act should enable EQC to use other forms of risk transfer, in addition to traditional reinsurance?*

Yes.

If the concept described in Section 19 were adopted, then EQC should be free to utilise whatever forms of reliable risk transfer were available at a competitive price relative to that for the Crown guarantee.

A possibility is for EQC to be the government's special purpose vehicle required for the creation of catastrophe bonds. The government could issue the bonds, to be administered by EQC, and collect if the bond defaults because of a catastrophe event. The funds available to the government could then be used for whatever purpose it decides on, including meeting the costs of the Crown guarantee to EQC.

## Do you have any other feedback?

### Other feedback

23a *Are there any issues not discussed in this document that you would like to bring to the Government's attention at this stage?*

Yes

23b *What submissions would you like to make on those issues?*

1. The current Act makes special mention of "long term accommodation for the elderly" but does not go beyond stating that this is included in the EQC scheme. The basis of inclusion (e.g. how to define a "dwelling" within a complex) has been contentious. The result has sometimes been that multi-million dollar complexes have been insured only up to one cap of \$100,000. At one stage, EQC's inspectors were keeping a record of every residential home for the elderly in New Zealand and agreeing the basis of insurance with the private sector, frequently following a visit to the site. The purpose of mentioning this type of accommodation in the Act appears to have been to ensure coverage under the national scheme but the value of the inclusion is thwarted by the application of the cap per dwelling. Deleting reference to long term accommodation for the elderly would not affect entitlement to EQCover. Dominant use provisions, described in Section 3, would continue to entitle rest home owners to full cover under the Act.

2. Any realignment of the EQC scheme should take account of ease of understanding by the public. A scheme more facile in this respect than the current one would serve the victims of a natural disaster better. Separation from the insurance industry and model could assist this perception; the habitability scheme based on the consequences of a lost home rather than a perils-based insurance scheme may have advantages in this respect.
3. If close association with the insurance industry is to be maintained, then companies making returns to EQC should be required under the Act to provide information on the location of the homes on which premium is being paid. At present no information at all is supplied with the monthly declarations beyond the monetary details so EQC has to resort to secondary means to obtain intelligence on such matters as the level of insurance purchase. Even then, the estimate can be only country-wide so that the variations (which may be substantial) in the take-up rate of insurance in regions of the country are unknown. Such information would be of value to the industry and to local and central government, as well as EQC. Companies are already being paid three times the commission for collecting EQC premiums as they were before the rate was increased from .05% to .15% and their payment will increase again if the caps are increased or removed (unless the rate of commission is adjusted).
4. Perhaps this is the opportunity to change the name of the Earthquake Commission to the Natural Disaster Commission.