

The Treasury

Earthquake Commission (EQC) Act Review Submissions Information Release

Release Document

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

New Zealand's Future Natural Disaster Insurance Scheme

Proposed changes to the Earthquake
Commission Act 1993

Submission Form

July 2015



THE TREASURY
Kaitohutohu Kaupapa Rawa

New Zealand Government

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 by 5.00pm on Friday 11 September 2015.

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

Official Information Act 1982

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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.

We will take your objections into account when responding to requests under the OIA.

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Your contact details

For individuals

Your name:	[1]

Email address:
Phone number:

What city, town or province do you live in?	Christchurch, Canterbury
Do you own your own home?	Yes

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?

Yes

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

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?

Yes

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

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?

Yes

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

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?

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?

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

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?

If EQC cannot do the repairs to NZ Building Code standard EQC should not be involved. BIG Changes are required within EQC to ensure the present state of DELAYED and SHODDY repairs can't ever return again.

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?

EQC hasn't been able to handle the more complex repairs! Successive scopes have been reduced each time to save EQC money and make EQR bigger profits. The HOME OWNER has suffered badly when repairs have been close to going over the present monetary cap.

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?

YES! What happens if repairs are completed only to be damaged again with another event?

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?

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?

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?

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?

NO! NO! NO! EQC Repairs have been shoddy, inadequate and homes have not been returned to "As New" as required by the EQC Act. Licensed Building Practitioners have been able to hire casuals to do work that require a LBP.

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

Delays. EQC/EQR have used tactics to delay work. E.g. require an architect to develop plans for a CCC Building Consent and then declare eighteen months or so later that EQR won't adhere to the CCC Building Consent but OVER-RIDE it.

EQC /EQR Builders must be able to read architectural plans when EQC has required and is paying for an architect to draw up CCC Building plans.

EQC should require PROJECT Managers oversee and inspect jobs at regular intervals. Property Owners

should not be expected to become the Project Managers for their EQC Repair work.

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?

Unacceptable EQC Delays need addressing. Emergency Repairs should not take over FOUR Years to complete! Repairs taking more than FIVE YEARS+ of a person's life is unacceptable for retired people. There should be penalties for EQC's needless delaying.

Successive EQC scopes have reduced repair work to be undertaken. Owners have been "Screwed" down – yet the Repairs have gained EQR higher profits.

EQC's requirement for the PROJECT Manager on a job needs changing. The Project Manager has been "INVISIBLE" and nameless. The Construction Site Register of Visitors to the Job clearly indicates that our Project Manager who is highly paid hasn't been doing any project managing! Property Owners should not be the people that EQC expects to do the project management.

EQC's Sign Off of Completed Repairs Process is totally inadequate. The Home Owner should never be deliberately shunned on his property nor excluded from the final sign off meeting. It appears that subsequent unfinished work which could have been easily discussed and remedied at the Sign Off of Completed Repairs Meeting is then too easily escalated to EQC's (more highly paid) Litigation Team.

There need to be some clear rules for EQC Litigators so the Home Owner is aware of their presence on their property. EQC Litigators should not be on the job when the home-owner is unaware that EQC is escalating the completion of repairs.

Over-ordering of Materials by EQC/EQR needs better inspection processes to prevent wastage.

If materials have been over-ordered then an EQC inspection of "materials" checks should be made so material is not charged to the owner's repairs and also ensure that "invisible" labour charges have not been billed to the job for these unused over-ordered materials. Over-ordering, disappearance of excess NEW materials needs careful addressing.

Greater attention must be given to EQR charging for "NEW" items (toilets, bench-tops, tiles etc) when "SECONDS" have been used instead of new yet presumably charged as new items.

Double-Dipping – better scrutiny on invoices of tradespeople doing EQC repairs - especially where betterment work necessitates the Property Owner paying for some items.

EQC/EQR Builders taking on too many jobs has resulted in a "greedy" work ethic.

Spasmodic working hours between many jobs make it difficult to keep track of the actual working hours done and charged for the EQC JOB. Good planning and Project Management by EQC is required to ensure that concentrated 8 hours a day results in a good work ethic and good workmanship. Further it reduces the money spent on setting up gear, travel time and meeting times.

EQC/EQR Managers Meeting Skills. Over FOUR years it has been very obvious that EQC /EQR Managers have not read the records on file prior to arranging an on-site meeting. Analysis of complex jobs should be undertaken prior to on-site meetings – analytical critical skills are part and parcel of the job. Managers need to spend time in their offices becoming familiar with the repairs on the property. Managers need to be familiar with the job and conduct on-site meetings with skill and good expertise in meeting processes.

COSTS of EQC/EQR meetings need to be documented for all involved!

The Builder who is the Licensed Building Practitioner should be supervising the EQC/EQR job. Unqualified persons doing jobs for the Builder who is not working over a weekend or overseas on a holiday is not good enough. LBP people should be doing most of the EQC/EQR repairs - not spending each day travelling between their many EQC/EQR work sites.

Repairs need co-ordination so the interface with "modularized" building and different contractors for the different facets works together well. My experience is that often the left hand doesn't know or CARE what the right hand is doing. Do it ONCE! Do it RIGHT! - There's economy in that! Every Move is the right move! Use good thinking skills FIRST!

EQC Communication Skills Training should focus on better Attitudinal Training! "Your Attitude is Showing"

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?

YES

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

No! This is too high for residents – particularly if people are retired or not employed.

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

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?

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?

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

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?

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

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?

YES

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

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?

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?

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

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?

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?

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?

FAIR Payment of Living Alone Superannuation immediately following an Earthquake event when people living alone need to evacuate from unsafe red-stickered situations and people who normally live on their own assist evacuees. People should not be PUNISHED and suffer unfair financial hardship following an earthquake event.

EQC's Complaint Process needs close alignment with the Residential Advisory Service.

EQC Managers Performance Appraisal System needs to produce effective Managers who produce results that the EQC Act promises.

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

People on Superannuation living on their own prior to the earthquakes have had their superannuation reduced because they had to leave a red-stickered home. Similarly people who assisted with emergency housing for these evacuees have had their "living on their own" superannuation cut from the day of the earthquake (Feb 22, 2011 to the present in 2015) when they have provided immediate shelter and care until EQC could repair Emergency Repairs and they could both return to "living alone". EQC should not be allowed to delay and delay their EQC Emergency Repairs for so long and then have a situation where the Evacuee and the Person assisting both have to make substantial repayments of superannuation 'living alone' monies to Government. EQC's treatment of older people should FAIR and be better than this!

EQC's COMPLAINT Process is extremely poor. It should not be operated from its Wellington based Manager

but rather from within the city where the property and event occurred. Four month long delays to complete unfinished "Emergency Repair" work (which should take only 2-3 days) is extremely poor, costly and FRUSTRATING to retired home-owners. There is a need to review EQC's Complaint Process. Elements from the Residential Advisory Service should be included into EQC's Complaint Process so it is Fairer, Faster and producing better results for the property owner.

EQC Manager's Performance Appraisals. Five years on and it is clear that EQC's Managers Performance Appraisal System is not very effective. This process needs reviewing and changes made. What NZers are promised in their EQC Act must be delivered by those people paid to manage in EQC.

I wish to be heard at any HEARING where the proposed changes to EQC Act are considered.