

The Treasury

Earthquake Commission (EQC) Act Review Submissions Information Release

Release Document

January 2018

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I apologise for the late filing of this submission and ask that despite this it be considered.

The fact is that 5 years after the earthquakes much of my time last week and most of this coming week will be spent still trying to resolve insurance issues on my multiple claims on a small portfolio of investment properties, and as a result the submission deadline was unfortunately missed.

Before I make my suggestions on the proposals, I will give you background to one claim as an example. One of my properties, a stand alone freehold single storey house which had just been fully renovated to near immaculate condition was severely damaged on 22 February 2011, suffering significant lateral spread of 170mm under the house so that building no longer sat on its footings (which were split in two) and the house on average sloped over 1% (90mm over 8m).

EQC's assessments were poor and despite recognising that the entire foundation need replacing, failed to recognise that extensive engineering would be required to repair the foundation and the house.

EQC failed to obtain any specific engineering design or reports and repeatedly informed me that repairs were under \$50,000. For over 2 years I was not given any opportunity to move the claim forward. From then the only way to progress the claim was to obtain my own engineering reports. It took a further year and a half for EQC to place the property overcap.

This was a total of 3 and a half years, ie September 2014.

At this point, the private insurer IAG then stated that this was day one for them, despite them having been informed of the severe damage (by me) in Feb 2011. IAG undertook an independent engineers report and determined that the property was uneconomic to repair and deemed it a total loss. They have recently made an offer of over \$512,000 to settle the claim. 10 times EQC's initial assessments. There are still issues to resolve and the insurer is only prepared to cash settle and not undertake the repair.

This has taken over 4 and a half years and is still unresolved.

I have another claim that took EQC 3 years to place overcap, has been unoccupiable most of the past 5 years and is also still unresolved with IAG. My family also has another property with severe foundation damage that EQC still say is undercap and have not given any engineering design for the repair and is still to be resolved. Even clearly total destroyed properties (of my family's) took 3 years to receive payments from EQC. A relative who is 90 years old, had her claim tossed between EQC and Southern Response for 4 years before finally going overcap. Her repairs or even a decision as to how to repair have not yet been made, after 5 years.

In short the current situation is a shambles, with victims suffering again and again as decisions and repairs are botched and delayed by an organisation that seems to consider itself infallible and not responsible to provide a fair or timely service to its customers.

Therefore my submission suggests:

1. That the failed two insurer model be abandoned.

Reasons:

-EQC were not capable nor competent to assess all claims quickly. The fact that claims are still be handed to private insurers after 5 years is evidence of this.

-EQC should act as an overseer. They should provide overall technical advice and collaboration with private insurers who deal with their customers on an individual claim basis.

2. That EQC act only as a reinsurer, taking say 60% of the liability of claims.

Reasons:

-The insurers would then pick up all claim management expenses.

-There would be no duplication of work, which would avoid delay and customers would have legal remedies to resolve any dispute with their private insurer.

- Overall the share of cost between EQC and private insurers would not be dissimilar to the Chch earthquake costs.**
- Private insurers would have a financial disincentive to exaggerate claims.**
- The reinsurance via EQC would mean that most of the natural disaster insurance premiums remain in government control and in NZ hands via EQC**
- This would avoid the complication and liability of "multiple events", as seen in Chch.**

3. That EQC continue to insure all land, and indeed this should be extended to include vacant land. The portion of the insurance premium for land could be levied against rates and based on geographic location, topography, risk and land value.

Reasons:

- This avoids the mess that was the red zoning and subsequent compensation law suits for vacant and uninsured property owners.**
- It also means that high value land owners or those who have properties at severe risk pay a much higher premium. This could be valuable should compensation need to be paid in event of a volcanic eruption affecting expense parts of Auckland.**

The EQC situation needs to be reviewed to ensure the hardship and pain that I, my family and many others have endured is not repeated. The fact that financial impacts of the EQC delays are not and have not been compensated is unfair to claimants who through no fault of their own were further down the "queue". Therefore repeating the types of delay the EQC system has imposed post 2010, should be avoided at all costs.

I am willing to testify under oath and in person if required.

[1]