

# The Treasury

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

### Release Document

January 2018

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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.

**Subject:** The Treasury Discussion Document , Review of the EQC ACT

Gen Re would like to record a short submission on the above as follows.

Gen Re supports the ICNZ submission to the above.

Gen Re particularly draws attention to section 8 " That EQC Building cover reinstate after each event"

Gen Re strongly support the ICNZ submission proposed third option.

Gen Re originally offered this alternative reinstatement for consideration by the ICNZ and the ICNZ have adopted this alternative reinstatement of cover option.

The ICNZ alternative third option for reinstatement of cover is as follows.

EQC's maximum liability would not exceed an amount equal to the one maximum payment under that cover until the property is completely repaired. EQC would pay the full costs of accumulating damage in each event until it reached the cap, and pay nothing more until the repair was fully completed. The Insurer would be liable for any further damage from the earthquake (or other specified peril) above the cap but only to the sum insured until repairs were fully completed.

The ICNZ submission clearly outlines the benefits to the homeowner, EQC and the insurer of simplicity and clarity at claims time and especially during continuing sequence events which New Zealand seems particularly exposed to.

The Seddon EQ sequence of 5 earthquakes of MM 5 or greater between 19 July 2013 and 21 July 2013 followed by 11 earthquakes of MM 5 or greater beginning 16 August 2013 and ending 18 August 2013 simply shows event sequences are a feature of New Zealand.

Recent volcano events in Europe also display similar elements to New Zealand earthquake sequences with respect to time and repeat eruptions but linked in sequence.

A volcanic eruption in New Zealand would probably present with similar time and sequence attributes. We can expect weeks of different eruptions with some calm periods intervening but all in one sequence. Claims time in apportioning unrepaired damage to different events after an elapse of time would be much easier for all concerned using the ICNZ reinstatement of cover third option.

Placing the insured in the same position after damage as they were before the damage is the principle of indemnity.

The third alternative ICNZ reinstatement option section 8 is aligned with the basic principle of indemnifying the insured for their loss and aligns with original insurance policy coverage.

This alignment of EQC cover and Insurance Company top up cover will help keep the process of claims response much

more simple.

Regards

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