

YOUR HOME & EARTHQUAKE INSURANCE



Earthquake insurance on residential property is provided in two parts. When you insure your home or contents, cover is firstly provided by the Earthquake Commission (EQC) up to prescribed limits with the commercial Insurer providing cover in excess of EQCover.

When you buy an insurance policy for your home or your personal belongings, your insurance company has to charge a disaster insurance premium, which it passes on to the Earthquake Commission. This gives you EQCover. If your home or contents are not insured you also have no EQCover.

Extent of Cover

Dwellings are covered on a replacement value basis. Personal property is insured on the same basis as the household insurance policy covering that property. Some of your land is insured also.

Dwellings are insured by EQC up to a maximum of \$100,000 plus GST and personal effects are insured up to \$20,000 plus GST. EQC pays the value of the damaged land at the time of the earthquake or natural disaster, or the repair cost, whichever is the lower.

Property Insured

- Dwellings (self-contained premises used as a home, including apartments)
- Most personal property but excluding some types such as vehicles, boats, jewellery, artwork, animals, swimming pools, tennis courts

- The land immediately surrounding the dwelling, main accessways and retaining walls within certain limits

Types of natural disasters covered

- Earthquake, natural landslip, volcanic eruption, hydrothermal activity, tsunami
- In the case of residential land, storm or flood
- Fire caused by any of these

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EQC Levy Increase

In October this year the Government announced an increase to Earthquake Commission (EQC) levies as a result of the Canterbury earthquakes.

The levy is to be increased to 15c per \$100 of insurance cover (from 5c per \$100) from 1 February 2012. The maximum levy amount a homeowner can pay, including GST, will rise from \$69 a year to \$207 a year.

The increase is required for a number of different reasons, including:



- Rebuilding New Zealand's National Disaster Fund (NDF)
- Creating revenue to meet the EQC's operating costs and higher reinsurance costs
- Ensuring that the EQC has capacity to meet obligations now and in the future.

The new levy will be applied to all renewals effective on or after 1 February 2012 or any new policies with an effective start date on or after 1 February 2012.

Christchurch Issues

Two of the major issues arising from the Canterbury earthquakes are that square metre dwelling size calculations were incorrect or the description of the residence has been inaccurately described.

Dwelling Size

The size of the home is a fundamental consideration in determining the cover your policy provides and the price charged for the insurance. Even if your policy provides open-ended cover (replacement with no sum insured), it is important that you understand the need to get it right.

In determining the size of the home you need to take into account the following:

- Any buildings used for residential purpose, including buildings used for storing household goods. There may be other buildings at the site as well as the dwelling. Any buildings used for farming or commercial purposes are not to be included, as they should be insured under a commercial policy
- The second storey of your home, mezzanines and developed basements
- Garages and any domestic structures over 10 square metres that have a roof and walls, such as sleep-outs, garden sheds and pool houses
- Any decking that is over 100 square metres or on a second level.

We can't stress enough how important it is that you provide the accurate square metre information relating to your property. Incorrectly declared floor areas will result in underinsurance.

Tenanted Properties

Insurers have also found that clients owning rental properties have not always accurately described their situation and haven't informed their Insurer of risks that include boarding houses and multi-dwellings. Inaccurate or incomplete information can have a serious impact on claims as the EQC may decline its portion of the loss.

If your property is leased under more than one tenancy agreement, or has a large number of individual rooms being let on a casual or short term basis the Insurer must be informed of the current number of units or flats as this may influence the amount of EQCover applying.

