



PROPOSED CHANGES TO LEGISLATION GOVERNING EQC SCHEME



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PUBLIC SUBMISSIONS INVITED ON PROPOSED CHANGES TO EQC ACT

The Government is inviting submissions on proposed changes to the Earthquake Commission Act (the “EQC Act”). That is the legislation that governs EQC and determines the coverage and other features of the EQC scheme.

This fact sheet summarises the key goals and features of the proposed changes. The discussion document *New Zealand’s Future Natural Disaster Insurance Scheme* describes in detail the changes the Government is seeking submissions on.

WILL THE PROPOSALS AFFECT EXISTING EQC CLAIMS?

These proposals will have no impact on the handling and outcome of existing EQC claims. Any proposals that are implemented would only apply to claims lodged after a future date. That date is not yet known, but will be at least 12 months away.

KEY AIMS OF THE PROPOSED CHANGES

The proposals are intended to improve the claims management experience for EQC claimants particularly during future large claims events such as the Canterbury earthquakes. Many of the individual proposals contribute to this.

The proposals also aim to retain or enhance EQC’s existing contribution to reducing the costs to New Zealand communities of managing and recovering from natural disasters.

Most notably, the proposed reforms are intended to ensure New Zealanders can continue to access affordable, effective natural disaster insurance – something that sets us apart from most of the rest of the world. The Government wants any future EQC scheme to continue doing that.

EQC also performs valuable research, education and risk management roles that should continue.



KEY PROPOSED CHANGES

At present EQC claimants lodge a claim with EQC. It is proposed that in future EQC claimants would lodge claims with their private insurer. Private insurers would then authenticate these claims. Depending on the arrangements agreed between EQC and insurers, insurers would then pass the claim on to EQC for further processing, or complete some or all of the remaining management of the claim on EQC's behalf.

Other proposals are intended to more sharply focus the EQC scheme on insuring New Zealanders' homes from natural disasters. These include:

- ▶ Extending EQC building cover to include features of the current EQC land cover relating to any necessary earth works (siteworks) to repair or rebuild the building or access to it.
- ▶ Limiting separate EQC land claims to situations where it is not feasible or cost-effective to rebuild on the original site and the home owner must relocate elsewhere.
- ▶ EQC no longer providing any contents insurance.

These proposals together mean that if a home can be repaired or rebuilt on site, the only EQC claim a claimant will make is a building claim. Together with the other proposed changes this should result in a much improved claims experience for EQC claimants affected by future large events.

As the EQC building cover will now need to cover some expenses currently paid out of EQC land cover, and to help reduce the cost of private insurer top-up natural disaster cover, it is proposed to double the current monetary cap on EQC building cover to \$200,000 (plus GST).

It is also proposed that the claims excess on all EQC building claims be \$2,000 and that there be no claims excess on EQC land claims.

Lastly, it is also proposed that the EQC Act retain the Crown guarantee of EQC, and that EQC premiums be required to reflect the costs and risks of running the EQC scheme, unless the responsible Minister decides otherwise. Early estimates are that this would not lead to large increases in the EQC premium that is included in house insurance premiums.

The discussion document also makes a number of other proposals regarding the periodic review of EQC monetary caps, premiums and claims excesses, standard of reinstatement, EQC financing and other technical changes.

SCOPE OF REVIEW

This review only examines the EQC Act. It does not review EQC's management, performance, or systems. Further information about EQC is available on its website <http://www.eqc.govt.nz/>

MAKING A SUBMISSION

If you intend making a submission please also read the part of the discussion document *New Zealand's Future Natural Disaster Insurance Scheme* that relates to the issues you want to make a submission on.

Instructions on how to make submissions are available at <http://www.treasury.govt.nz/publications/reviews-consultation/eqc>.

Submissions need to be received by 5.00p.m. Friday, 11 September 2015.