

The Treasury

Material Provided to the Public Inquiry into EQC Information Release

August 2021

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Key to sections of the Act under which information has been withheld:

- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [26] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied
- [31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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Reference: T2017/1633 BM-1-7-323

Date: 19 June 2017

To: Minister of Finance
(Hon Steven Joyce)

Minister Responsible for the Earthquake Commission
(Hon Gerry Brownlee)

Deadline: Read prior to EGI, 10.30am, 21 June 2017

Aide Memoire: Briefing for Paper on EQC Review at EGI on 21 June 2017

Purpose

This paper provides a short briefing/ talking points for the Cabinet paper that you are taking to the Economic Growth and Infrastructure Cabinet Committee (EGI) on 21 June seeking Cabinet agreement to a reform package for the EQC scheme.

Aims of Proposed Reform Package

- The overall aim of this package is to simplify and focus EQC cover much more strongly on repair or replacement of homes (not land or contents). This will clarify the purpose and focus of EQC cover for EQC, insurers and claimants.
- Requiring EQC claims to be lodged with insurers will better connect EQC and insurer claims processes and encourage better information-sharing. This should result in better claims management experiences for future EQC claimants.

Features of Proposed Reform Package

- Increasing from \$100,000 to \$150,000 (both plus GST) the monetary cap for EQC building cover.
- Limiting EQC land cover to natural disaster damage that directly affects the insured residence, or access to it. At present EQC cover applies to all land damage within 8 metres of the insured building, even if the land damage has not affected the building. This change is the most likely to attract public comment.
- Establishing a uniform claims excess on EQC building cover of \$1,000 (this currently ranges from \$200 to \$1,150 depending on the size of the claim).
- EQC no longer providing cover for residential contents.

- Requiring EQC claimants to lodge claims with their private insurer, who would pass the claim onto EQC.

Relationship with Discussion Document Proposals

- This package is different from what was proposed in the 2015 discussion document. The proposed land and building cover responds to submitter concerns regarding the proposed EQC coverage of land damage that affects buildings, and sits between the current design of EQC cover and what was proposed in the discussion document.
- Also, the discussion document proposed a claims excess of \$2,000, not \$1,000.
- This package keeps the proposals regarding exit from contents cover and claims lodgement.

Expected Impact on EQC Costs and Premiums

- EQC estimates that the proposed scheme will cost about 8 percent more than the current scheme, driven by increased expected losses due to the higher building cap. The anticipated costs of this design were considered in the recent decision to increase EQC's premium. The \$276 maximum annual EQC premiums paid per dwelling from 1 November 2017 would increase by \$69 (including GST), to \$345, on entry into force of the new Act, anticipated for 2020.
- All else being equal, some of this increase would be offset by reductions in private insurance premiums.

Next Steps

- If agreed, we will announce these decisions in the near future, and expect to bring a paper to Cabinet later this year with detailed design proposals for agreement and referral to PCO for drafting of a bill.

Background

- The review of the EQC Act was announced in 2012. In essence it is a "lessons learned" review of the EQC scheme and Act.
- A public discussion document was released in 2015.
- There have been extensive insurer consultations since.

Steve Cantwell, Principal Advisor, Financial Markets, [39]
Melody Guy, Manager, Financial Markets, [39]