

9 September 2015

Review of the EQC Act
The Treasury
PO Box 37214
Wellington 6140

By email: submissions.eqcreview@treasury.govt.nz

**SUBMISSION on
"Proposed changes to the Earthquake Commission Act 1993"
Discussion Document**

1. Introduction

Thank you for the opportunity to make a submission on the "Proposed changes to the Earthquake Commission Act 1993" discussion document. This submission is from Consumer NZ, New Zealand's leading consumer organisation. It has an acknowledged and respected reputation for independence and fairness as a provider of impartial and comprehensive consumer information and advice.

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2. General comments

Consumer NZ supports the review of the Earthquake Commission Act 1993 (EQC Act) and, in general, supports the reforms proposed in the discussion document.

We wish to comments on three of the proposals in the review:

Proposal for discussion

7 That the monetary cap on EQC building cover be increased to \$200,000 + GST.

What do you think?

7a Do you agree with the proposed increase in the building cap to \$200,000 + GST?

Yes, we agree with the proposed increase in the building cap to \$200,000 + GST.

7b If not, what cap would you prefer, and why?

7c Do you have strong views on the merits of a \$150,000 + GST cap versus a \$200,000 + GST cap?

In our view, the \$200,000 + GST cap is preferable as it will go further toward the cost of rebuilding or repairing a quake damaged house. A cap of \$200,000 + GST provides a reasonable amount of natural disaster cover. Setting the cap at this level may also help constrain the cost of private insurance premiums.

7d If so, what are they?

See above.

7e For insurers, what do you anticipate the impact would be on premiums your company charges for residential property insurance, if the proposals in this document regarding changes to building cover were implemented? Please provide this information for a monetary cap for EQC building cover of both \$150,000 and \$200,000.

Please note the information in section 1.4 regarding the Official Information Act.

No comment.

Proposal for discussion

11 That EQC has a standard claims excess of \$2,000 + GST per building claim.

What do you think?

11a Do you agree that EQC's building claims excesses should be standardised and simplified to a flat dollar amount?

Yes, we agree that excesses should be standardised and simplified to a flat dollar amount.

11b If yes, do you agree that \$2,000 + GST is the appropriate claims excess on building claims?

In our view, the proposed \$2000 + GST excess may be too high. We understand the desire for administrative efficiency and reducing the number of low value claims. However, administrative efficiency should not outweigh the importance of providing adequate cover in the case of a natural disaster. For some consumers, \$2000 is a significant amount and they will not easily be able to contribute this sum towards the cost of repairing their home after a natural disaster.

11c If not, what would you prefer, and why?

We suggest a lower excess be considered. There also needs to be assistance available for households that are unable to afford the full amount of the excess.

Proposal for discussion

17 That all EQC claims be lodged with claimants' private insurers.

What do you think?

17a Do you agree that EQC claimants should be required to lodge all EQC claims with claimants' private insurers?

We agree the claims process should be simplified. Requiring EQC claimants to lodge claims with their private insurers may assist this and reduce the likelihood of stalemates and miscommunications between EQC and insurance companies.

The discussion document states that "private insurers have an existing capability to deal with large number of claims that arise in a major natural disaster." However, we are concerned that insurance companies still do not have appropriate procedures in place to deal with catastrophic events.

In 2012, we surveyed our Christchurch members about the performance of EQC and their insurance companies in handling claims. Only 42 percent of respondents felt EQC's service was satisfactory while 46 percent were satisfied with their insurance company performance.¹

If this proposal goes ahead, insurance companies will need to ensure they have more rigorous procedures in place for dealing with future natural disasters.

17b If not, what alternative arrangement would you prefer, and why?

Thank you for the opportunity to make a submission on the Issues Paper. If you require any further information, please do not hesitate to contact me.

Yours sincerely



Sue Chetwin
Chief Executive

¹ *Consumer*, "On Shaky Ground" April 2012, pgs 14 - 15