

## EQC Gets Its Own Shake-Up

Despite initial comments from Earthquake Recovery Minister Gerry Brownlee that any changes to New Zealand's Earthquake Commission ("EQC") scheme would be minor, proposals released yesterday (Monday 6 July) on the back of the Government ordered review, suggest it may be in for its own shake-up. EQC came under attack due to long delays and complications on settling claims arising from the Canterbury earthquakes. The Government ordered a review of New Zealand's dual insurance system in response to strong criticism from Christchurch residents after difficulties in settling their claims. Proposed reforms to the EQC scheme include:

- ▶ An increase in EQC's dwelling cover (or "cap") from the current \$100,000.00 plus GST to \$200,000.00 plus GST.
- ▶ Management of EQC claims by private insurers so that the public may no longer need to deal with EQC directly.
- ▶ EQC claims for damage to land to be restricted to situations where the land is deemed unsuitable to build on.
- ▶ Contents insurance to be the sole domain of private insurers (currently EQC covers the first \$20,000.00).

While the specifics of how the new regime will operate remain unknown until the new contractual arrangements between EQC and private insurers are agreed, it is assumed that EQC will continue to handle "under-cap" claims passed on by claimant's insurers.

The reforms appear to have the backing of the private insurance industry and also the Insurance Council who take the view that a re-distribution of the work load in dealing with domestic property claims will provide better customer certainty and service. It is generally accepted that it makes sense for the industry, with the expertise and systems to deal with these claims, to be handling and managing home contents claims.

We consider the most important change will be having private insurers deal with EQC and manage the EQC component of claims. Many involved in EQC claims have suggested this in the past, as a way to avoid long delays in processing claims due to EQC apportioning claims between earthquake events and disputes over whether claims are "over- cap" resulting in delays in private insurers becoming involved.

None of the proposed reforms will apply to existing claims currently being dealt with by EQC or private insurers. Anyone wanting to make a submission on the proposed reform (before the Bill is introduced into Parliament) can do so online at [www.treasury.govt.nz/publications/reviews-consultation/eqc](http://www.treasury.govt.nz/publications/reviews-consultation/eqc). The deadline for making submissions is 11 September at 5pm.

Please contact [Steph Gifford](#) if you would like further information on these proposed reforms.