



# EQCOVER INSURERS' GUIDE

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JUNE 2021

Version 2.0

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## ABOUT THIS GUIDE

This guide provides a general summary of EQCover. However, EQC is required to act in accordance with the provisions of the Earthquake Commission Act 1993 (EQC Act). In the case of any conflict between the information in this guide and the provisions of the EQC Act, the provisions of the EQC Act will prevail.

For the purposes of assessing EQCover, this guide's references to 'renewal' are intended to reflect the anniversary of the existing policy. It does not refer to other periodic renewal arrangements some customers and insurers may enter from time to time.

GST: All monetary figures in this guide are quoted exclusive of GST (excluding Appendix A: EQC Claims and Excesses). In addition to the amounts quoted, there will be an additional payment for GST where EQC is satisfied GST has been paid or will be paid by the insured in the course of replacing or reinstating the property [section 29 (3) of the EQC Act].

## CHANGES TO THIS PUBLICATION

This publication was updated in June 2021.

Please also refer to the July 2019 version of this publication for policies that commenced or renewed from 1 July 2019 to 30 June 2020.

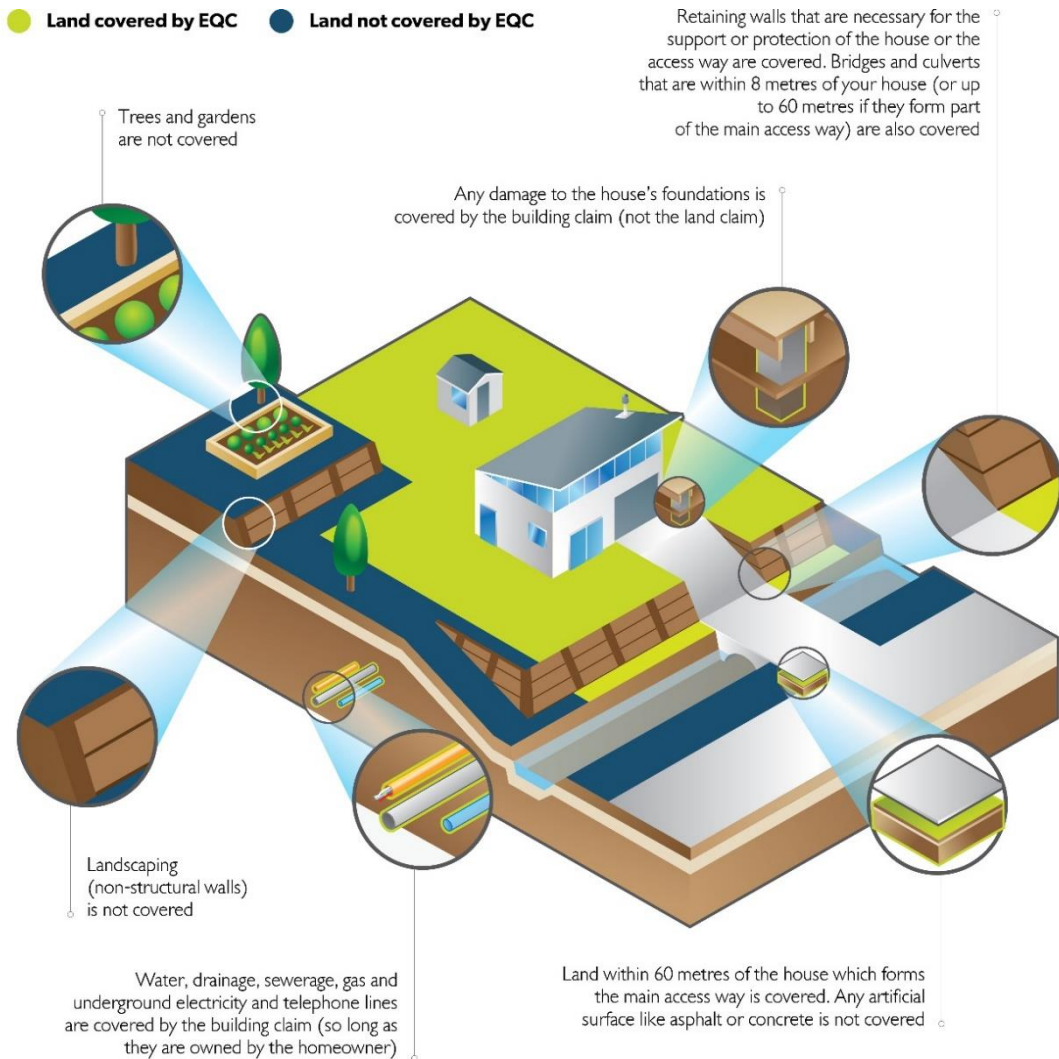
# INTRODUCTION

The EQC Act establishes the New Zealand government’s natural disaster insurance product, known as EQCover.

EQCover applies to a building (or part of a building) of which 50% or more of the floor area contains one or more dwellings. This is referred to as a “residential building”.

Using the property below as an example, EQCover applies to the following:

|                             |   |
|-----------------------------|---|
| <b>Residential building</b> | Dwelling(s), appurtenant structures and certain services (where those services are within 60 metres of the building, owned by the owner of the building or the land it sits on) for (usually) \$150,000 per event.  |
| <b>Residential land</b>     | <ul style="list-style-type: none"> <li>• Land under the building.</li> <li>• Land surrounding the building (8 metres around the building).</li> <li>• Land under the main access way to the building up to 60 metres in a straight line from the building or land supporting that access way.</li> <li>• Retaining walls supporting or protecting the insured area of land or the building up to 60 metres from the building.</li> <li>• Bridges and culverts in or on the insured area of land.</li> <li>• See paragraph 8.2 regarding the amount of cover.</li> </ul> |



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# RESIDENTIAL BUILDINGS

## SUMMARY

### Step 1: Is the building within the scope of EQCover?

There must be a contract of fire insurance in place.

### Step 2: Is it a 'residential building'?

A residential building is a building (or part of a building) where 50% or more of the floor area:

- provides long-term accommodation for the elderly
- comprises one or more dwellings.

### Step 3: Does the building contain a 'dwelling'?

A. Self-contained:

- Provides the necessities of day-to-day living.
- There must be somewhere to live, cook, carry out ablutions, sleep, wash.

AND

B. Actually a home or holiday home or capable of being and intended by the owner to be a home or holiday home:

- Home:
  - Occupied, or intended for occupation, on more than a temporary or transient basis.
  - Prime purpose of the property is to serve as a domestic residence.
  - Person occupying is there by choice.
- Holiday home:
  - Owners intend to use the property as a holiday home.
  - Must be capable of use by the owner as a holiday home.
  - Unlikely to qualify if situated on the same land as the owner's residence.

### Step 4: Consider guidance on the specific dwelling type.

Refer to the relevant section of this guide for each dwelling type as listed below:

|  |  |
|--|--|
| Bed and breakfast accommodation (4.5)            | Home or holiday home (3.1, 3.2, 3.3)               |
| Boarding house (4.6)                             | Long term accommodation for the elderly (4.16)     |
| Body corporate apartment building (4.10)         | Multiple buildings, single policy (4.12)           |
| Caravan and tiny house (4.7)                     | Multi-unit building (4.9)                          |
| Fractional ownership residential property (4.15) | Mixed use building (4.11)                          |
| Garage and garden shed(4.2)                      | Residential building under repair/renovation (4.3) |
| Granny flat and sleepout (4.13)                  | Serviced apartment and timeshare (4.8)             |
| Holiday accommodation and motel (4.14)           | Show home (4.4)                                    |

## 1. SCOPE OF COVER

### 1.1 Under Section 18 of the EQC Act

Residential buildings with a contract of fire insurance are insured under EQCover against physical loss or damage occurring as the direct result of a natural disaster. "Natural disaster" means:

- a. an earthquake, natural landslip, volcanic eruption, hydrothermal activity, or tsunami; or
- b. a natural disaster fire (which is fire caused by a natural disaster in (a) above or (c) below); or
- c. in the case only of residential land, a storm or flood.

EQCover for a "residential building" extends to any "appurtenant structures" (see Section 1.3 below) and "services" (see Section 1.4 below). Much of this guide provides information about what is and is not a residential building and therefore, what can be insured by EQCover.

### 1.2 Fire insurance

For EQCover to apply, there must be a valid policy of fire insurance over the property at the time of loss. It is the policy of fire insurance that brings the qualifying property 'on-risk' for the purpose of EQCover.

The EQC Act describes a policy of fire insurance as a contract whereby any property is insured against physical loss or damage by fire (other than natural disaster fire). This is whether the contract includes other risks or not, but does not include any contract of marine insurance or any contract of reinsurance.

### 1.3 Appurtenant structures included with residential building

EQCover will also apply to certain buildings or structures appurtenant to the residential building.

An appurtenant structure may be covered if it is a building or structure that is used for the purposes of the household of the occupier of the dwelling.

This definition comprises three key elements.

- a. building or structure, and
- b. it is appurtenant to a dwelling, and
- c. it is used for the purposes of the household.

### 1.4 Services included with a residential building

EQCover will apply for certain services if the service:

- a. serves the residential building or surrounding land, and
- b. is owned by the owner of the building (or by the owner of the land on which the building sits), and
- c. is situated within 60 metres of the building.

The services covered are water supply, drainage, sewerage, gas, electrical and telephone services, and structures appurtenant to those services.

## 1.5 No cover beyond direct physical loss or damage

EQCover does not extend beyond physical loss or damage to the insured property occurring as the direct result of a natural disaster. Physical loss or damage in relation to property includes any physical loss or damage to the property that (in the opinion of EQC) is imminent (i.e. is expected to occur in the next 12 months) as the direct result of a natural disaster that has occurred.

For example, in the event of natural disaster damage to a bore, a change in the water quality or the disappearance of the water itself is not covered, but any damage to the bore infrastructure is.

## 1.6 Amount of cover

The maximum amount of insurance available under EQCover for a residential building is the lesser of the following three alternatives:

1. The replacement sum insured as noted in the fire insurance policy\*.
2. If there is no replacement sum insured, then the sum specified in respect of EQCover\*\*.
3. The amount arrived at pursuant to the following formula:\*\*\*
  - Number of dwellings x \$150,000 = amount of cover.

\* If the fire policy covers a residential building for a replacement sum insured, the size of the dwelling is not used to calculate EQCover.

\*\* Alternative 2 - Cannot be less than: size of dwelling (m<sup>2</sup>) x \$2500 = amount of cover (maximum = \$150,000 per dwelling per event)

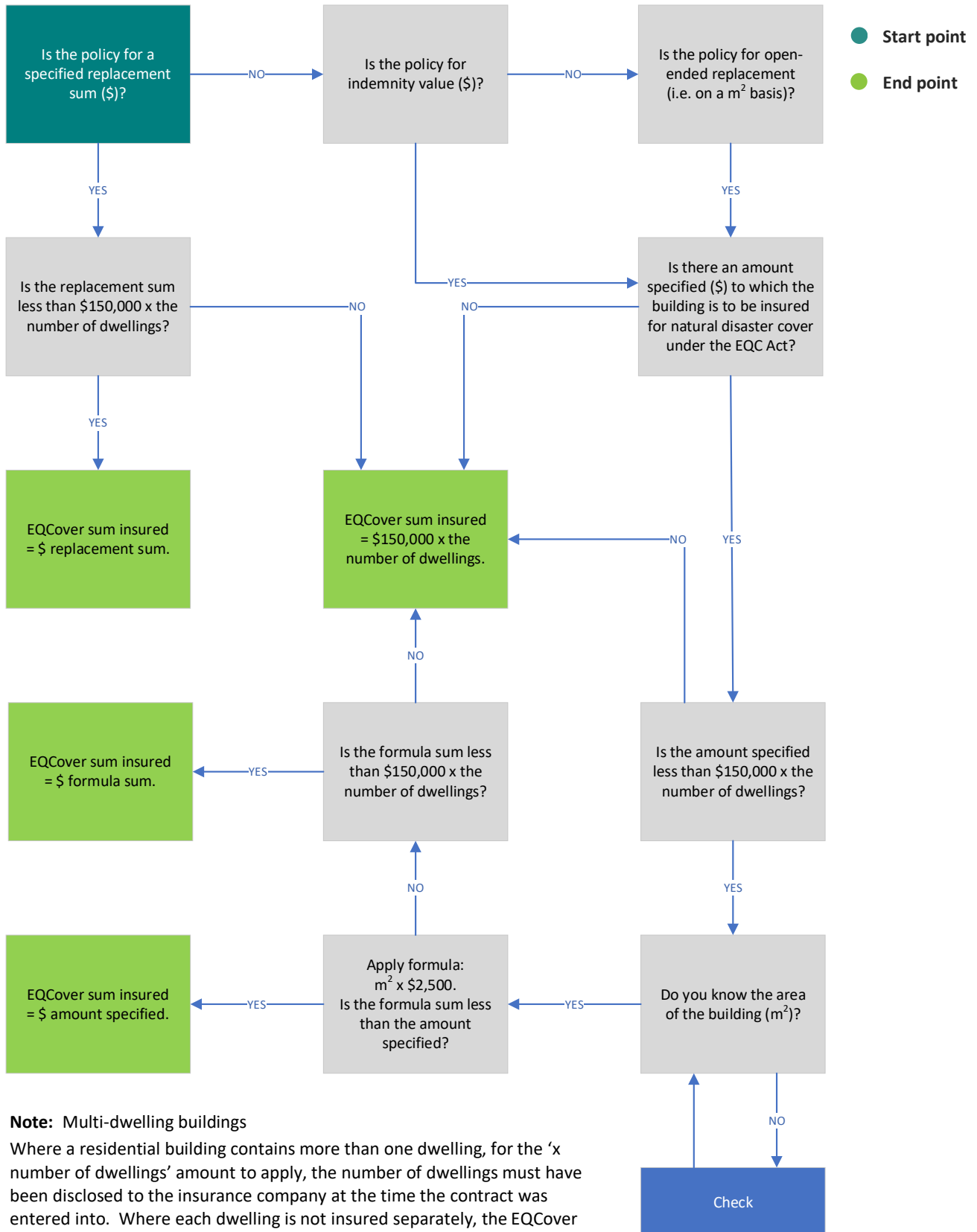
\*\*\* Alternative 3 - A building is deemed to comprise one dwelling unless the existence of more than one dwelling was advised to the company providing fire insurance at the outset of that policy (or before its most recent renewal).

| Example residential building with a single dwelling           | For policies commenced or renewed from 1 July 2019.<br>EQCover (the maximum amount of insurance available per event)  |
|---|---|
| Replacement sum insured = \$250,000                           | \$150,000 (lesser of replacement sum insured or \$150,000)  |
| Replacement sum insured = \$95,000<br>Area = 65m <sup>2</sup> | \$95,000 (lesser of replacement sum insured or \$150,000)   |
| Open-ended replacement cover<br>Area = 220m <sup>2</sup>      | \$150,000 (because no replacement sum insured and no EQC sum specified)   |
| Open-ended replacement<br>Area = 50m <sup>2</sup>             | \$150,000 (because no replacement sum insured and no EQC sum specified)   |
| Indemnity value<br>Area = 55m <sup>2</sup>                    | If no EQC sum specified, EQCover will be \$150,000.<br>If EQCover sum specified, EQCover can be specified between:: <ul style="list-style-type: none"> <li>• \$137,500 (min: \$2,500 x 55m<sup>2</sup>)</li> <li>• \$150,000 (max: \$150,000 x one dwelling)</li> </ul> |



## 1.7 Extent of EQCover

Follow the diagram to work out the sum insured by EQCover under your policy.



## 2. RESIDENTIAL BUILDING TEST

Every time a contract of fire insurance is made or renewed, it must be determined whether a building or part of a building meets the definition of a “residential building”.

If, during the period of the fire insurance, a building or part of a building ceases to meet the definition of a “residential building”, EQCover will continue until the insurance is renewed, lapses or is cancelled.

When the contract of fire insurance:

- is due to be renewed, if the building or part of the building no longer meets the definition of a “residential building”, EQCover will cease
- lapses or is cancelled, EQCover will cease.

There may be scenarios where you have to consider whether EQCover applies to a building in whole or in part. For more information, see Section 4 below.

## 3. DWELLING TEST

To establish the existence of a dwelling, the premises must:

- be self-contained, and either
- be the home or holiday home of at least one person

or

- be capable of being the home or holiday home of at least one person and be intended by the owner of the premises to be the home or holiday home of at least one person.

|                |   |   |   |  |   |          |
|----------------|---|---|---|--|---|----------|
| Self-contained | + | is the home or holiday home of one or more persons                  | = | dwelling   |   |          |
| Self-contained | + | is capable of being the home or holiday home of one or more persons | + | is intended by the owner to be the home or holiday home of one or more persons | = | dwelling |

### 3.1 Self-contained

To be self-contained, a dwelling must contain the facilities necessary to meet the occupants needs for day-to-day living on an indefinite basis. They do not have to be in one building but must be for the exclusive use of the dwelling. There must be somewhere to:

- cook
- sleep
- live
- wash
- carry out ablutions.

For example, a property may have:

- an external ablution building on the grounds that is not shared with any other dwellings, rather than an inside toilet.
- a sink and fridge with a microwave and a bench-top oven or hob for cooking, rather than a hard-wired oven.

### 3.2 'Home' or a 'holiday home'

#### a. Home

Where a person chooses to live (whether alone or with others) on a more than temporary or transient basis and the prime purpose of the premises is to serve as someone's home, then this will constitute a home for EQCover purposes.

Examples include:

- an owner-occupied home
- a home leased to a tenant
- flatting situations.

#### b. Holiday home

A holiday home is a secondary residence for someone whose home is elsewhere. It may be used on a transient basis by that person, usually for holidays.

A building is unlikely to be a holiday home if:

- it is set up purely as a commercial enterprise and the owners do not use it or intend to use it for their own purposes (or for someone else to use it as their holiday home)
- it is owned by an organisation that owns holiday homes purely for the benefit of its members and these members pay to stay there
- it is on the same property as the owners' residence. Even though others, such as family and friends, may use the building for holidays or visits, it is unlikely to be the holiday destination for the owners or the holiday home of any other person.

### 3.3 'Capable' of being the home or holiday home

Where a building contains all the requisite components needed for a home but is not occupied as a home, it can still be covered by EQC if it is capable of being a home and is intended by the owner to be a home. For example, a tenanted property might have a period where it is untenanted. If this period occurs at the renewal date of an insurance policy, then the building is not being used as someone's home. However, if the landlord is intending to tenant the building during the insurance period, then it will be considered capable of being a person's home.

### 3.4 'Intended' by the owner to be a home or a holiday home

#### a. Intended to be a home

There are no defined criteria to evidence this intention. It is inferred from circumstances such as:

- the owner's description of what the owner is intending to do with the property
- lease/tenancy type and duration
- the type of insurance policy covering the property and
- steps the owner is taking to tenant the property (e.g. advertisements).

#### b. Intended to be a holiday home

From the circumstances there must be an intention on the part of the owner to keep returning, no matter how minimal the use. At a minimum, it is acceptable if the owner has the entitlement to occupy the property whenever they wish, and they store their possessions there.

It is contemplated that a holiday home may be used:

- solely by the owner
- by friends and family, as well as the owner
- by tenants on a periodic basis (including short-term holiday accommodation), as well as the owner when they want to use it.

### 3.5 Situations where there is not a dwelling

Examples of situations where there is not a dwelling include:

- premises that provide temporary or transient accommodation (e.g. hotels and motels)
- premises where the occupants living there are not in occupation by their own free will (e.g. prisons, police cells and lock ups, New Zealand Defence Force barracks and service penal establishments)
- premises that do not have as their prime purpose the provision of somewhere to live on an indefinite basis (e.g. hospitals, hotels and night shelters)
- university hostels, boarding school accommodation, club houses or workers' hostels.

## 4. PROPERTY-SPECIFIC GUIDANCE

To come within paragraph (a) of the definition of “residential building” in the EQC Act, a building (or part of a building, or other structure) must comprise or include one or more “dwellings” and the area of the dwelling or dwellings must constitute 50% or more of the total area of the building (or part of a building, or other structure). Section 3 of this guide explains what constitutes a dwelling. This section looks at how the dwelling requirements apply in particular situations and considers the rest of the definition of “residential building”.

### 4.1 Dwellings

EQCover applies to dwellings that include:

- where the owner lives in them (whether with others or not)
- where the whole dwelling is rented by a tenant (whether with others or not)
- flatting situations (whether one occupant rents the entire dwelling and lets others live there or each occupant rents a bedroom exclusively from the landlord, sharing other facilities in common)
- where occupants rent individual rooms on a more than transient or temporary basis, from a landlord and where the occupants share common facilities.

### 4.2 Garages, garden sheds and similar

EQCover will apply if these structures are appurtenant to a residential dwelling (see Section 1.3)

### 4.3 Contract works policy—residential dwelling under extensive repair or renovation

As previously stated, the ‘test date’ to determine if the building is a residential building for the purposes of EQCover is the time the contract of fire insurance is made or renewed. The fire policy could be either a standard home policy or a contract works policy.

If the building is a residential building at the time the contract of fire insurance is made or renewed, EQCover for the building will continue.

If, during the period of the fire insurance, a building ceases to meet the definition of a “residential building”, EQCover will continue until the insurance is renewed, lapses or is cancelled.

When the contract of fire insurance:

- is due to be renewed, if the building no longer meets the definition of a “residential building”, EQCover will cease
- lapses or is cancelled, EQCover will cease.

This has significant implications regarding buildings under renovation.

#### 4.4 Show homes

EQC does not provide cover for buildings such as show homes that are purely used to showcase a product or design. These are not a home to anyone and there is no present intention they will be lived in as a home.

If at the time the contract of fire insurance was made or most recently renewed, the show home is on the market to be sold and the intention is that once it has sold it will:

- be someone's home, EQCover does apply
- continue to be used as a show home or a commercial building, EQCover will not apply.

#### 4.5 Bed and breakfast accommodation

Where a person lives in a house but also provides bed and breakfast accommodation from the house, it will as a whole, generally be a "dwelling" for the purposes of the EQC Act. That is because the house comprises self-contained premises, where the purpose remains that it is the home of one or more persons. There is nothing in the EQC Act that excludes cover for all or part of a house simply because the person whose home it is chooses to have paying guests stay in their home.

Similarly, where a person's home or holiday home is made available to others for short-term holiday accommodation (including for example, on Airbnb or Bookabach), the home or holiday home will generally be a dwelling for the purposes of the EQC Act if the home or holiday home remains available for the owners to use as their holiday home when they wish (see Section 3.4).

If a property contains two (or more) self-contained premises, it is necessary to consider whether each premises meets the dwelling test. It might be that one of the premises is covered as a dwelling under the EQC Act while the other is not.

##### Example 1

There are two self-contained buildings on the same property. The owners use one of the buildings as their home, and the other building is used solely for short-term accommodation.

The first building is covered as a dwelling because it comprises self-contained premises, and that premises is the home of the owners.

The second building is not covered as a dwelling. Although it is self-contained, it is not used as the home or holiday home of any person. However, it may be covered as an appurtenant structure to the first dwelling if it meets the requirements for being an appurtenant structure (and not solely for short-term rental accommodation).

##### Example 2

A two-level building is partly used as a bed and breakfast property. Each floor of the building is self-contained. The top floor is used by the owners as their home. It has two bedrooms and is self-contained with a total floor area 90m<sup>2</sup>.

The ground floor is also self-contained and is devoted to bed and breakfast accommodation only. The ground floor contains 2 bedrooms with a total floor area of 100m<sup>2</sup>.

EQCover does not apply to the whole building. The premises comprising the top floor is somebody's home, and the area of the top floor is not 50% or more of the total area of the building. However, EQCover applies to the top floor. That is because it is a part of a building and that part of the building is self-contained and 50% or more of the floor area of that part (i.e. the top floor) comprises a dwelling as defined by the EQC Act.

#### 4.6 Boarding houses and similar

See Section 4.9 — Multi-unit buildings.

## 4.7 Caravans and tiny houses

There are two distinct types of caravan or tiny house accommodation. EQCover depends on the circumstances of the caravan or tiny house in question.

### Type 1

The caravan or tiny house:

- is not connected to local services
- can be moved easily between locations (e.g. is on wheels or a trailer).

EQCover **does not** apply.

### Type 2

The caravan or tiny house is:

- self-contained
- connected to local services and/or can be self-sufficient
- cannot be moved (e.g. wheels removed, fixed to piles, positioned on a platform or surrounded by a deck).

EQCover **does** apply.

The extent of cover depends on whether the caravan or tiny home is insured for indemnity value.

**Indemnity value:** EQCover is the lesser of:

- \$150,000 or
- size of dwelling (m<sup>2</sup>) x \$2,500 (if EQCover sum specified).

**Replacement sum insured:** EQCover is the replacement sum insured, up to a maximum of \$150,000. For example, if the replacement sum insured specified in the policy is \$30,000 that is the amount of EQCover.

## 4.8 Serviced apartments and timeshares

Serviced apartments and timeshares are not usually covered by EQCover. However, if:

- there is a self-contained manager's accommodation, that accommodation is covered (subject to meeting the other requirements of a dwelling)
- the building has both serviced and owner-occupied apartments, EQCover applies to the owner-occupied apartments (and may also extend to the whole building in circumstances where the owner-occupied apartments form 50% or more of the floor area of the building).

See Section 4.16, example 2 for apartment style accommodation in a retirement village.

## 4.9 Multi-unit buildings

There are several situations where a residential building contains more than one "dwelling" within its structure (e.g. apartment buildings or large buildings divided into flats).

In these situations, and where the fire insurance policy is over the whole building, EQCover generally applies to the building as a whole, not on a dwelling-by-dwelling basis. The number of dwellings in the building is relevant to calculating the EQCover amount as this is used in the formula in Section 1.6, option 3 (\$150,000 x number of dwellings).

A residential building is deemed to comprise one dwelling unless the existence of a higher number of dwellings is disclosed to the insurer at the time the contract of fire insurance is made or renewed.

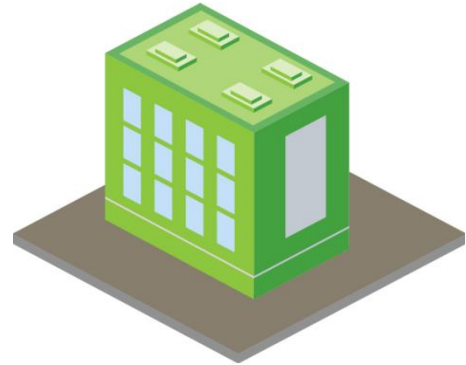
It is essential that the number of dwellings within the building is disclosed to the insurer in order to use this number in the calculation of EQCover. If it is not disclosed, the number of dwellings used in the formula is one and the EQCover would be the least of any replacement or EQC sum insured or \$150,000.

#### 4.10 Body corporate apartment buildings

The EQCover calculations below are scenarios for 12 apartments in a body corporate building where there is a single contract of fire insurance over the whole building and the existence of 12 dwellings has been disclosed to the insurer.

- Replacement sum insured of building = \$2,000,000 EQCover = \$1,800,000 (i.e. 12 x \$150,000)
- Replacement sum insured of building = \$1,000,000 EQCover limited to \$1,000,000
- Insured for indemnity only 12 x \$150,000 = EQCover of \$1,800,000 for the building (unless lesser amount specified).

|           |           |           |           |
|-----------|-----------|-----------|-----------|
| Apartment | Apartment | Apartment | Apartment |
| Apartment | Apartment | Apartment | Apartment |
| Apartment | Apartment | Apartment | Apartment |



#### 4.11 Mixed use building

The examples below show the maximum cover available under the EQC Act. A residential building is deemed to comprise one dwelling unless the existence of more dwellings is disclosed to the insurer at the time the contract of fire insurance is made or renewed.

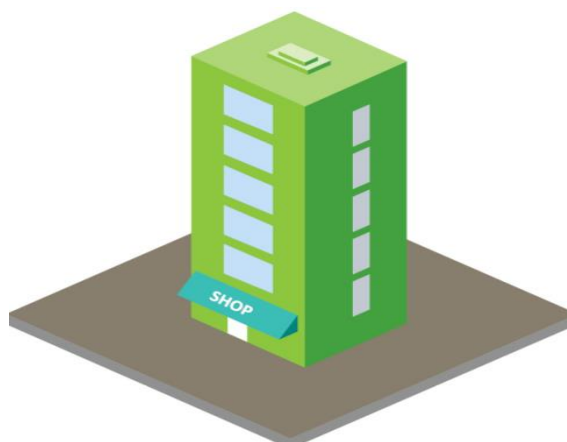
##### Example 1

Five self-contained apartments and one retail shop in a building with a single owner and a replacement sum insured of \$1,000,000.

EQCover is limited to 5 x \$150,000 = EQCover of \$750,000 for the building, provided the five dwellings are disclosed to the insurer at the time the contract of fire insurance is entered or renewed.

As more than 50% of the building comprises “dwellings”, EQC would cover damage anywhere in the building.

|             |
|-------------|
| Apartment   |
| Apartment   |
| Apartment   |
| Apartment   |
| Apartment   |
| Retail Shop |



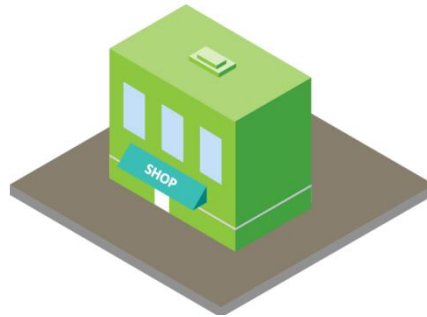
**Example 2**

Three flats and a retail shop in a building with a single owner and a replacement sum insured of \$250,000.

EQCover is \$250,000 (being less than 3 x \$150,000).

As 50% of the total area of the building comprises “dwellings”, EQC would cover damage anywhere in the building.

|             |           |           |
|-------------|-----------|-----------|
| Apartment   | Apartment | Apartment |
| Retail Shop |           |           |

**Example 3**

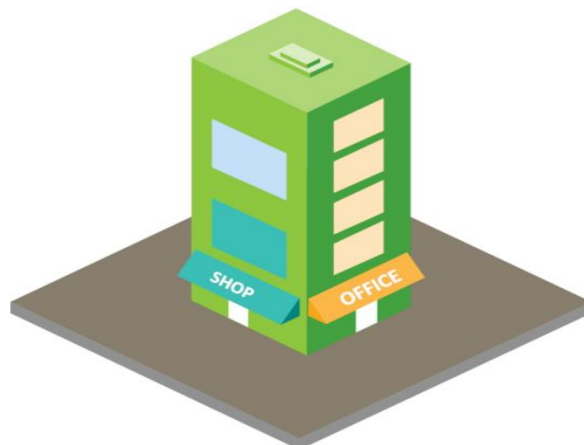
One apartment, offices and retail shops in a building with one owner and a replacement sum insured of \$1,000,000.

The definition of “residential building” includes a “part of a building” that comprises one or more “dwellings” if the area of the dwellings is 50% or more of the total area of that part of the building. The top floor is a part of a building that meets this definition. Accordingly, that part counts as a residential building.

EQCover is limited to 1 x \$150,000 = EQCover of \$150,000 for the residential part of the building.

Only damage to the top floor is covered by EQC. The whole building is not an insured residential building, as less than 50% of the total area of the whole building comprises dwellings.

|             |
|-------------|
| Apartment   |
| Offices     |
| Offices     |
| Offices     |
| Offices     |
| Retail Shop |





#### 4.12 Multiple buildings or dwellings covered by a single insurance policy

There are often situations where a contract of fire insurance will cover two or more separate residential buildings. It is also possible that some of these buildings contain multiple dwellings.

For example, a body corporate complex might consist of five distinct buildings, each containing two dwellings. EQCover is calculated for each residential building and based on the number of dwellings disclosed.

Where a policy covers multiple residential buildings with a single replacement sum insured (i.e. it 'floats' over all the buildings and does not identify an amount each building is insured for) then the replacement sum insured is not used for calculating the EQCover.

In these situations, it would be possible for the policy to specify an EQC sum insured for each of the residential buildings. However, the EQCover is limited to a maximum of \$150,000 per dwelling for each building.

| Situation  | EQCover   |
|--|---|
| <p>Body corporate complex. Four residential buildings, each with two units, disclosed to insurer. Unit area = 50m<sup>2</sup>.</p> <p>Replacement sum insured 'floats' across all buildings in body corporate = \$1.6m.</p>                                | <p>\$1,200,000 (\$150,000 x eight dwellings — maximum EQCover)</p>  |
| <p>Policy covering two residential buildings. Each building is a single dwelling.</p> <ul style="list-style-type: none"> <li>• Building one replacement sum insured = \$150,000</li> <li>• Building two indemnity value, area = 50m<sup>2</sup></li> </ul> | <ul style="list-style-type: none"> <li>• Building one = \$150,000</li> <li>• Building two = If no EQC sum specified, EQCover will be \$150,000.</li> </ul> <p>If EQCover sum specified, EQCover can be specified between:</p> <ul style="list-style-type: none"> <li>• \$125,000 (min: \$2,500 x 50m<sup>2</sup>) and</li> <li>• \$150,000 (max: \$150,000 x one dwelling)</li> </ul> |



### 4.13 Granny flats and sleepouts

A property may include a granny flat or a sleepout. Separate EQCover for the granny flat or sleepout will only apply if it meets the definition of “dwelling” in the EQC Act.

#### Non self-contained:

A non-self-contained granny flat or sleepout will be covered if it is part of the residential building or if it is appurtenant to the main dwelling. The cover provided for it is within the EQCover for the main dwelling.

#### Self-contained:

A self-contained granny flat or sleepout must be used or intended to be used as someone’s home to be considered a separate dwelling under the EQC Act.

Where the granny flat or sleepout is occupied or used by the same household occupying the main dwelling, then the it will not generally be a separate dwelling.

Where the granny flat or sleepout is tenanted or occupied by someone that lives independently of the main dwelling household, EQCover will apply.

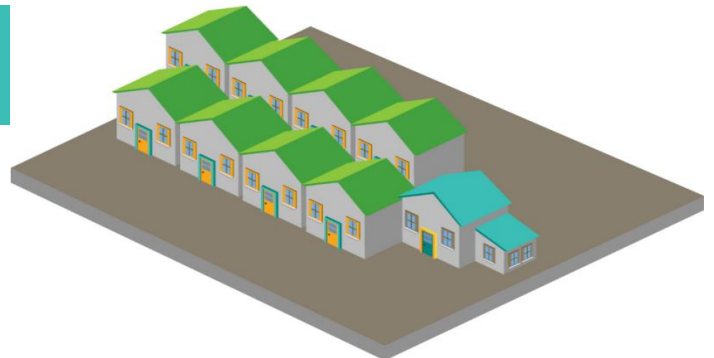
Where a granny flat or sleepout is a separate dwelling, EQCover will be calculated on either the multiple residential building basis above (for detached dwellings) or on the multiple dwelling basis (for attached dwellings).

| Situation  | EQCover  |
|--|--|
| Dwelling with self-contained tenanted granny flat in same building. Replacement sum insured for building = \$400,000.  | \$300,000 (\$150,000 x two dwellings) if the existence of two dwellings in the building was disclosed. Otherwise \$150,000 only.                               |
| Dwelling with self-contained granny flat in same building where the granny flat is used as a place for family and friends to stay when they visit. Replacement sum insured for building = \$400,000.             | \$150,000. The granny flat is covered but included within EQCover for the main dwelling.   |
| Dwelling with a self-contained, detached sleepout. Replacement sum insured Dwelling = 200m <sup>2</sup> . Flat = 50m <sup>2</sup> .<br><br>Sleepout used as ‘guest house’ for visitors.                          | \$150,000. The sleepout is covered but included as an appurtenant structure within EQCover for the main dwelling.  |
| Dwelling with a self-contained, detached granny flat. Dwelling = 200m <sup>2</sup> , replacement sum insured \$300,000. Flat = 50m <sup>2</sup> , replacement sum insured \$90,000.<br><br>Granny flat tenanted. | Dwelling = \$150,000.<br>Granny flat = \$90,000 (lesser of replacement sum insured or \$150,000).  |
| Dwelling with non-self-contained granny flat (either in the same building or separate if used for the purposes of the household).  | \$150,000. The non-self-contained granny flat is included within EQCover for dwelling (either as part of the dwelling itself, or as an appurtenant structure). |

#### 4.14. Holiday accommodation and motels

EQCover is limited to \$150,000 for the manager’s accommodation only.

|       |       |       |       |                           |
|-------|-------|-------|-------|---------------------------|
| Motel | Motel | Motel | Motel | Managers<br>Accommodation |
| Motel | Motel | Motel | Motel |                           |



#### 4.15. Fractional ownership residential property

With fractional ownership the residential property is broken up into a set number of shares and each of these shares is sold.

Unlike timeshares, where each purchaser is given the right to use the property for a set number of weeks per year or at a set time, fractional ownership means the shareholders themselves decide how the property is to be used, including how or when each shareholder can use it.

If the property is still being used as a home or holiday home by the owners, EQC will continue to cover it. If it is going to be used only for a holiday let or solely as a B&B, for example, then EQCover generally does not apply.

#### 4.16 Long term accommodation for the elderly

Long term accommodation for the elderly includes rest homes and retirement villages. These are covered by EQC because they are specifically included under the EQC Act. See paragraph (b) of the “residential building” definition.

Although not specified in the EQC Act, to establish the “long-term accommodation” component, it is likely evidence would be required to demonstrate that the building constitutes a self-contained residence and comprises a home to the residents.

##### Example 1: Rest home

The rest home shown is a single building, containing dormitory-type accommodation and full accompanying facilities. The building also includes self-contained accommodation for the owner/manager.

| Description  | EQCover                              | Total EQCover |
|--|--------------------------------------|---------------|
| Rest home accommodation, administration, dining etc. | Equates to one residential building. | \$150,000     |
| Manager’s accommodation.                             | Equates to one residential building. | \$150,000     |

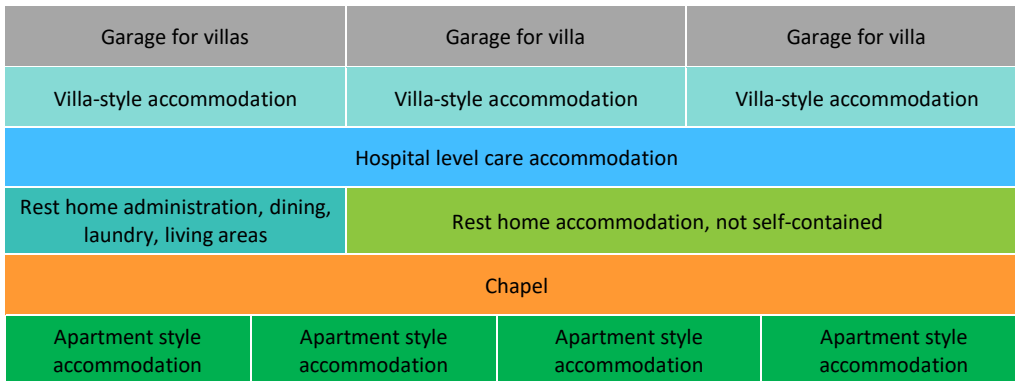
|           |                            |
|-----------|----------------------------|
| Rest Home | Manager’s<br>Accommodation |
|-----------|----------------------------|



**Example 2: Retirement village**

The retirement village shown below is made up of a variety of accommodation types and full accompanying facilities.

| Building type   | Residential building test outcome                    | Total EQCover   |
|---|--|---|
| Villa-style accommodation   | One residential building containing three dwellings. | Up to \$150,000 per dwelling. \$450,000 for the whole building (if the existence of three dwellings in the building was disclosed). |
| Garages   | Appurtenant building or structure.                   | Included in cover for villas.   |
| Rest home accommodation and administration, dining, laundry, living areas | One residential building containing one dwelling.    | \$150,000   |
| Hospital level care accommodation (i.e. a higher level of rest home care) | One residential building.                            | \$150,000   |
| Residents chapel  | Appurtenant building or structure.                   | Included in cover for retirement village complex.   |
| Apartment style accommodation   | One residential building containing four dwellings.  | Up to \$150,000 per dwelling. \$600,000 for the whole building (if the existence of four dwellings in the building was disclosed).  |



## 5. PAYING THE EQC PREMIUM

### 5.1 Paying the premium

An EQC premium is payable whenever a person enters into a contract of fire insurance with an insurance company for a residential building in New Zealand. Where the insurance company carries out business in New Zealand, the payment of the premium will be made by the insurance company.

Payments of EQC premiums must be made within two months after the end of the month in which the obligation to pay the premium arises (e. g. a premium for a contract entered anytime in January will be due by 31 March of the same year).

### 5.2 Offshore placements

Sometimes an intermediary in New Zealand or offshore arranges offshore cover for residential property located in New Zealand.

EQCover still applies in this situation and remittance of the EQC premium is made directly to EQC.

### 5.3 Calculation of EQC premium

EQCover costs twenty cents for every \$100 insured (0.2%) where the period of insurance is one year.

The EQC premium can be calculated by using the following formula:

- EQC Premium (\$) = EQCover amount (\$) x 0.002

The most common EQC premium amount will be \$300 for a residential building containing one dwelling with EQCover of \$150,000.

Where the period of insurance is anything other than one year, the premium will be calculated pro-rata for the number of days of the insurance cover.

For example:

- EQCover premium = \$300.00. Period of insurance = 102 days
- \$300.00 divided by 365/days = .82c
- .82c x 102/days = \$83.84

GST is payable on the EQC premium.

Cover for residential land is included at no additional cost.

## 6. DIRECT EQCOVER

If a person has not insured their residential building against fire with a private insurer, they may have obtained EQCover directly from EQC for natural disaster damage.

Section 22 of the EQC Act, "Voluntary insurance against natural disaster damage" provides that on application made by any person having an insurable interest in any residential building and land, EQC may enter into a contract to insure that building and/or land under the EQC Act against natural disaster damage (not exceeding the maximum EQCover cap) and subject to the approval conditions.

## 7. SECTION 30 OF THE EQC ACT

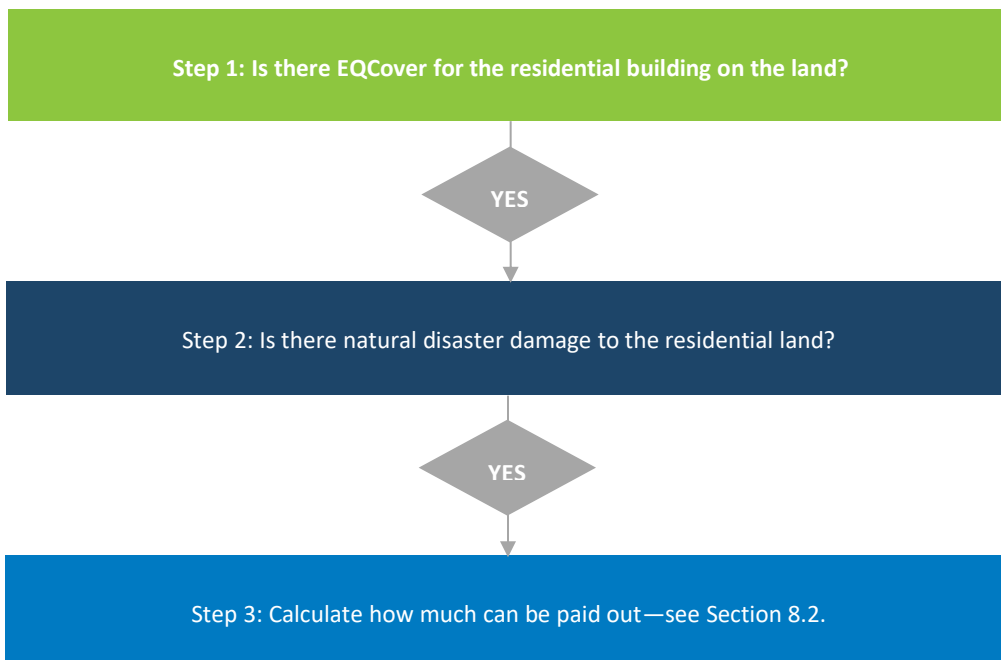
Section 30 of the EQC Act “Insurance other than under this Act” provides certain rules for situations where, upon the occurrence of natural disaster damage to a property covered by EQCover, the property is also insured against that damage under a contract of natural disaster damage provided by an insurance company. The insurance company’s cover might be either “ground-up” cover or “top- up” cover.

|                          |   |
|--------------------------|---|
| <b>“Ground-up” cover</b> | Insurance company pays for all natural disaster damage within the terms of the policy and EQC covers the balance (within the scope of the EQCover up to the limits specified in the EQC Act). |
| <b>“Top-up” cover</b>    | EQC pays for all natural disaster damage covered by the EQC Act up to the limits specified in the EQC Act, and then the insurance company pays for the balance.                               |

The EQC premium is payable wherever a contract of fire insurance is entered in respect of “residential building”. Accordingly, the EQC premium is payable even where a ground-up natural disaster policy has been entered for that building if the contract of insurance also insures against fire.

## RESIDENTIAL LAND

### SUMMARY



## 8. EQCOVER: RESIDENTIAL LAND

### 8.1 Cover

If the residential building is covered by EQCover, then certain land on which the dwelling is located also has EQCover.

EQCover for land is limited to land that is within the “land holding”. Generally, the land holding consists of all the land within the boundaries shown on the Record of Title (RT) for the property. This includes the land:

- under the dwelling and appurtenant structures
- within 8 metres of the dwelling and appurtenant structures
- under or supporting the main access way from the boundary of the land holding up to 60 metres from the building (but not the driveway surfacing).

EQCover also provides cover for:

- bridges and culverts located entirely within the areas referred to above
- some retaining walls that are necessary to support the residential building and appurtenant structures or insured land.

### 8.2 How much can be paid out?

EQCover pays the lesser of either:

1. the cost to repair the damaged land (or occasionally, the diminution in value of the land), or
2. the land cap, which is determined by the value of the smallest of the following three areas:
  - the area of land that is actually lost or damaged, or
  - the minimum-sized site for a residential building allowed under the District Plan in the area you live (if applicable), or
  - an area of land of 4,000 square metres

plus the indemnity value of any insured bridges, culverts or retaining walls that have been lost or damaged.

### 8.3 Bare land

Bare land is a land holding without a residential building on it. Bare land is not covered by EQCover.

### 8.4 Multiple access ways

If the residential building has several access ways (driveways and/or pathways and/or separate driveways), only the main access way is covered, up to 60 metres in a horizontal line from the residential building.

### 8.5 Multi-title properties and easements

It is necessary to determine what is within a property’s boundary to identify what residential land is insured in connection with a given residential building. For example, the insured area of residential land can comprise land on two or more RTs if the multiple sections are used as a single land holding. This can occur where a residential building is built on adjoining sections or where the residential building is built on one section and the adjoining section is used as the backyard or garden. Where two or more titles form a single land holding, “residential land” will not end at the boundary of the title the residential building is located on. It can extend across to the adjoining title.

The land holding can also include any legal rights held by the property owner over the land of their neighbour. For example, a property might have an easement over a neighbour's property for a driveway. If this forms the main access way to the insured residential building, the land underneath the main access way will have EQCover even though the land is not owned by the insured.





# APPENDICES

## A: EQC CLAIMS AND EXCESSES

The timeframe for lodging an EQC claim is two years. However, EQC recommends customers lodge a claim within three months of the damage occurring.

### a. Making an EQC claim

In most instances, the private insurer will manage any new EQCover claim on our behalf.

If the customer's private insurer does not manage a new EQCover claim or the customer is a Direct EQCover customer, please contact EQC directly.

The customer can do this through:

1. Completing the online form at [www.eqc.govt.nz](http://www.eqc.govt.nz) or
2. Calling EQC
  - Within New Zealand on **0800 DAMAGE (0800 326 243)**
  - From overseas on **+64 4 978 6400**

The timeframe for lodging an EQC claim is two years. However, it is recommended customers lodge a claim within three months of the damage occurring as a delay may affect EQC's ability to assess damage.

Customers can carry out urgent works if they are able to and have the means. This means making their home habitable and protected from further damage by ensuring it is safe, sanitary, secure and weathertight.

Customers should keep a complete record of all urgent works carried out and copies of any documentation (e.g. before and after photographs, invoices).

### b. Excesses

EQC excesses per event are based on whichever is the greater of the calculations below up to the maximum payable.

#### Properties containing one dwelling

|          | Excess—% of claim | Min. payable | Max. payable |
|----------|-------------------|--------------|--------------|
| Dwelling | 1%                | \$200        | \$1,725      |
| Land     | 10%               | \$500        | \$5,000      |

#### Properties containing more than one dwelling

|          | Excess—% of claim | Min. payable                | Max. payable |
|----------|-------------------|-----------------------------|--------------|
| Dwelling | 1%                | \$200 x number of dwellings | N/A          |
| Land     | 10%               | \$500 x number of dwellings | \$5,000      |

The figures on this page are GST inclusive.

### c. Circumstances where EQC may decline a claim

EQC may decline (or meet part only of) a claim made under any insurance of any property under the EQC Act where:

- a. the natural disaster damage to which the claim relates was caused or exacerbated by earlier natural disaster damage for which the Commission made payment and that payment was not used to repair the property; or
- b. the insured person has failed to comply with any law or bylaw, or any requirement pursuant to any law or bylaw, and that failure has caused or exacerbated the natural disaster damage; or
- c. in the case of any property of a kind referred to in –
  - i. paragraph (c) or paragraph (d) of the definition of the term residential building in section 2(1); or
  - ii. paragraph (d) or paragraph (e) of the definition of the term residential land in section 2(1) –the property was not constructed in accordance with standards considered appropriate for that property at the time of construction, and the failure to meet those standards has caused or exacerbated the natural disaster damage; or
- d. the RT for the land comprising the property, or on which the property is situated, contains an entry under section 36(2) of the Building Act 1991 or an entry under section 74 of the Building Act 2004 (see **Appendix C**); or
- e. there is or has been on the part of the insured person (whether to the Commission or its agents or to the insurance company concerned) –
  - i. any wilful and material misdescription of any of the property, or of any building or land in or on which the property is situated; or
  - ii. any misrepresentation as to any matter material for the purpose of estimating the value of the property; or
- f. the claim is in any respect fraudulent; or
- g. the natural disaster damage is caused or contributed to by the wilful act or negligence of the insured person, or of any previous owner or occupier of the property where the insured person was aware of that wilful act or negligence at the time the insured person acquired the property.



## B: ITEMS EXCLUDED FROM EQCOVER

A specific list of EQCover exclusions is contained in Schedule 2 of the EQC Act and is reproduced here

1. Any property that is not tangible property.
2. Any motor vehicle (being a vehicle drawn or propelled by mechanical power), or any parts of, or accessories to, a motor vehicle.
3. Any trailer (being a vehicle without motive power that is capable of being drawn or propelled by a motor vehicle and that is not being used as a dwelling), or any parts of, or accessories to, a trailer.
4. Any vessel (being anything made to float, whether it is fixed or free, and whether or not it has any means of propulsion), or any parts of, or accessories to, a vessel.
5. Any aircraft, or anything in or on an aircraft.
6. Any bush, forest, tree, plant, or lawn.
7. Any growing crops (including fruit trees and vines) or cut crops in the open fields.
8. Any explosives.
9. Any animals, including livestock and pets.
10. Any road, street, drive, path, bridge, or culvert other than a gangway, ladder, access platform, or other form of access, constructed in a residential building or being an integral part of a residential building.
11. Any drain, channel, tunnel, or cutting, unless used to connect parts of one or more residential buildings.
12. Any dam, breakwater, mole, groyne, fence, pole, or wall that does not constitute an integral part of a residential building.
13. Any reservoir, swimming pool, bath, spa pool, tank, or water tower other than –
  - a. A reservoir, swimming pool, bath, spa pool, tank or water tower that constitutes an integral part of, and that is within, a residential building; or
  - b. A reservoir or tank used in a residential building as a storage vessel for any liquid product; or
  - c. A water tank forming part of the water supply to a residential building; or
  - d. A septic tank.
14. Any tennis court, whether inside or outside and whether lawn or not.
15. Any jetty, wharf, or landing.
16. Any paving or other artificial surface.

## C: NOTIFICATIONS AFFECTING EQCOVER

### a. Record of Title notifications

In certain circumstances a notification on a property's RT under Section 72 of the Building Act 2004 or Section 28 of the EQC Act may affect EQCover.

### b. Section 72 of the Building Act notifications

#### Conditional building consents

When a building consent is requested to build a dwelling or structure on a property, the local authority is required to consider if the land is likely to be subject to a natural hazard and if the work will create or make worse a natural hazard on a property.

The Building Act states a building consent authority (i.e. the local authority) must refuse a building consent if the land on which the building work is to be carried out is subject to one or more natural hazards, or the building work is likely to accelerate, worsen or result in a natural hazard on that land or any other property.

However, the consent can be issued if adequate provision has or will be made to protect land from natural hazard damage.

The building consent is therefore issued pursuant to Section 72 of the Building Act 2004.

Section 72 states that the building consent authority must issue a building consent if it considers the building work will not cause or make worse a natural hazard on the property. However, this is a conditional consent as a natural hazard has been identified. This notification is what is shown on the RT.

#### Why the notification is added

The Building Act allows a local authority to grant a conditional building consent, in some circumstances, where the land on which the building work is to be carried out is subject (or likely to be subject) to one or more identified natural hazards.

A Section 72 notification (or 'entry') is added to the RT by the Registrar-General of Land whenever the local authority has granted a conditional building consent.

The notification alerts prospective purchasers and others with an interest in the property, such as lenders and insurers, that the land is subject to a natural hazard. It also specifies what the natural hazard (or hazards) are.

In the past, similar provisions were in effect under Section 36(2) of the Building Act 1991 and Section 641A of the Local Government Act 1974 (both now superseded). These notifications still appear on some RTs and have the same effect as a Section 72 notification, although notifications under these superseded provisions will not always identify the natural hazard concerned.

#### Other notifications referred to in Section 73 and 74

Section 73 of the Building Act makes it a requirement that the local authority must notify the Registrar-General of Land that the property is subject to a natural hazard and a conditional consent has been issued.

Section 74 describes the steps the Surveyor-General (Land Information New Zealand) must take when receiving notification from the consenting authority.

A Section 72 notification is added to the RT by the Registrar-General of Land whenever a conditional building consent has been granted.

### **What a Section 72 notification means for EQCover**

If a property has a Section 72 notification on its RT (or a similar entry under Section 36(2) of the Building Act 1991 or Section 641A of the Local Government Act 1974) and a claim is made for damage that is caused by the type of natural hazard (or hazards) that caused the entry to be made, EQC has the discretion to:

- meet the claim in full
- partly meet the claim
- decline the claim.

This provision is set out in Clause 3(d) of Schedule 3 of the EQC Act.

In deciding, EQC will look at the particular circumstances of the property, the details of the notification and the claim.

If the claim is related to damage from a natural disaster of a different type from the natural hazard that caused the entry to be made, EQC's normal processes apply.

### **c. Section 28 of the EQC Act notice**

After cash settling a building or land claim (to the full extent of cover available under the EQC Act), EQC may cancel EQCover for the property in certain circumstances pursuant to Clause 4 of Schedule 3 of the EQC Act. EQC does this by sending the owner a written notice advising of the cancellation and arranging for a notice to be placed on the RT.

#### **What is a section 28 notice?**

If EQC cancels EQCover under Clause 4 of Schedule 3 of the EQC Act, or limits its liability under subclauses (1) or (2) of Clause 5 of Schedule 3 of the EQC Act, EQC shall notify the Registrar-General of Land by forwarding a certificate to that effect.

#### **When is EQC likely to issue a section 28 notice?**

A section 28 notice is most commonly placed on a RT following claims for damage caused by flooding or landslips.

#### **How EQC goes about issuing a section 28 notice**

After cash settling the claim, EQC may contact the customer to ask about progress with the repairs or reinstatement.

Examples of progress might include a building consent application being submitted or a builder, engineer or other contractor being engaged.

If EQC is not satisfied that the repair work (or reinstatement) is progressing, EQC may notify the District Registrar of Land that a section 28 notice must be applied to the RT.

#### **Getting a section 28 notice removed from a Record of Title**

A section 28 notice remains in place until EQC receives an application for removal or otherwise considers that the section 28 notice should no longer apply—even if the property is sold. To get a section 28 notice removed from a RT, the insured person will need to provide EQC with evidence that the repair or reinstatement works have been undertaken to the requisite standard.

EQC will then notify the District Registrar of Land that the section 28 notice must be removed. The insured person will be informed when this has been done.

#### **Other situations**

There are other provisions in Schedule 3 of the EQC Act that allow EQC to decline or partially meet a claim.

**CONTACT INFORMATION:**

Email: [EQCover@eqc.govt.nz](mailto:EQCover@eqc.govt.nz)

Phone: 0800 DAMAGE (0800 326 243)

More Information on our website [www.eqc.govt.nz](http://www.eqc.govt.nz)

