

Land structures – retaining walls, bridges and culverts

What we cover

EQC provides cover for:

- bridges and culverts that are situated within 8 metres of the house, or on land within 60 metres of the house that is part of or supports the main access way; and
- retaining walls and their support systems that are necessary for the support or protection of the house or insured land (including the main access way) if they are within 60 metres of the house.

It's important to note that things that are on the land, such as trees, plants or paved surfaces are not covered by EQC. Retaining walls that serve a landscaping function, rather than supporting or protecting your house or the insured land (including the main access way), are generally not covered by EQC.

For a full list of what is covered and not covered under a land damage claim, see the definition of residential land and Schedule 2 in the Earthquake Commission Act 1993 at www.legislation.govt.nz

What is the maximum level of cover provided for land structures?

Land damage claims will mainly be settled by EQC with a cash settlement to the homeowner or mortgagee. For claims involving damage to retaining walls, bridges and culverts, the settlement will be calculated on the basis of either the cost of repair, or the "indemnity value," depending on the damage to the whole area of insured land. In order to assess the customer's maximum entitlement, EQC assesses both the cost to repair and the indemnity value.

What is an indemnity value?

Where insured retaining walls, culverts, and bridges are damaged, the maximum amount of the insurance for residential land is calculated on the basis of the "indemnity value" of the property. This term is not defined in the EQC Act, but has a particular and well-understood meaning in the valuation profession.

Indemnity value is typically defined as follows:

The cost necessary to replace, repair or rebuild the asset insured to a condition and extent substantially equal to but not better or more extensive than its condition and extent at the time that the damage occurred, taking into consideration the age, condition and remaining useful life of the asset.

Applying this definition to the indemnity value of damaged property; EQC:

- Takes into account the age and condition of the damaged property (in comparison with replacement value, which is the cost of providing a replacement for the damaged property in "as new" condition).
- Does not take into account the cost of restoring the property to a better or more extensive condition than the property damaged, in order to meet current regulatory standards for issuing building consents.

This is different from the cover of homes and contents by the EQC Act, which are insured for their replacement value. The indemnity value of a wall, culvert or bridge will likely be lower, and in many cases a lot lower, than its replacement value.

How does EQC assess the indemnity value of land structures?

In determining the indemnity value of retaining walls, culverts and bridges, EQC relies on the advice of expert valuers, applying recognised principles of valuation methodology.

In general, EQC's valuers assess the indemnity value of property using the Depreciated Replacement Cost methodology, one of the approved valuation methodologies for determining indemnity value under the Australia New Zealand Valuation Standards.

The Depreciated Replacement Cost methodology involves the following steps:

- Establishing the replacement cost of the damaged property using current equivalent materials and construction techniques;
- Adjusting the replacement cost to exclude any costs associated with constructing the property to achieve a higher standard than the property actually damaged, for example, as a result of a change in applicable regulatory standards. Where a change in regulatory standards means that a different engineering solution would be required (for example, a concrete wall in place of a timber wall), the replacement cost is assessed as the cost of rebuilding the timber wall lost, rather than adjusting downwards from the cost of a concrete wall.
- Depreciating the replacement cost to allow for the age, construction, condition, and remaining useful life of the property. In the case of older property that is fully depreciated, the valuer may adopt a residual value of the replacement cost to reflect the ongoing existence and functionality of the property at the time of the earthquake.

What happens next?

Land claimants do not need to do anything further to have damaged retaining walls, culverts and bridges assessed. EQC will automatically consider damage to land structures for claims that have been made for properties which have those structures.

Visit WWW.EQC.GOV.T.NZ/LAND-COVER OR CALL 0800 DAMAGE (0800 326 243) for more information

**OUR MISSION: TO REDUCE THE IMPACT ON PEOPLE
AND PROPERTY WHEN NATURAL DISASTERS OCCUR.**

EQC
EARTHQUAKE COMMISSION
Kōwhiriwhiri Rūwhenua