

# **EQCOVER**

## **INSURERS' GUIDE**

### **FEBRUARY 2019**

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

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

Amendments to this guide were made on 4 July 2019.

**GST:** All monetary figures in this guide are quoted exclusive of GST (excluding pg. 25). In addition to the amounts quoted there will be an additional payment for GST where the Commission is satisfied GST has been paid or will be paid by the insured in the course of replacing/reinstating the property [section 29 (3) Earthquake Commission Act 1993].

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# EQC ACT AMENDMENTS 2019

The Earthquake Commission Act 1993 ("the Act") establishes the New Zealand government's natural disaster insurance product, known as EQCover. In February 2019, the Act was amended, bringing in key changes to the law – all of which will be fully in place by July 2020.

The key changes to the Act are:

- An extension of the timeframe for lodging a claim from three months to two years. As long as any notification of damage after three months after the damage has occurred does not materially prejudice EQC's ability to properly assess the claim.
- Broader scope for EQC to share information.
- Removal of EQCover for contents from 1 July 2019. Depending on their policy, policy owners will be affected only from the date of the anniversary of the renewal or of the existing policy or when a new policy is taken out.
- An increase in the maximum cap for residential building cover from \$100,000 to \$150,000; and an increase in the minimum cover for residential buildings from \$1,000 to \$2,500 per m<sup>2</sup> from 1 July 2019. Depending on their policy, policy owners will be affected only on the date of the anniversary of the renewal of the existing policy or when a new policy is taken out.
- The formula to work out the sum insured by EQCover will change from 1 July 2019. Depending on their policy, policy owners will be affected only on the anniversary day of the renewal of the existing policy or when a new policy is taken out.

## INSURERS' GUIDE: CHANGES TO THIS PUBLICATION

This publication was updated in February 2019 to reflect amendments made to the Earthquake Commission Act 1993 and the impact on EQCover.

Further amendments to this guide were made on 4 July 2019.

Please also refer to the July 2019 version of this publication for policies that commence or renew on or after 1 July 2019.

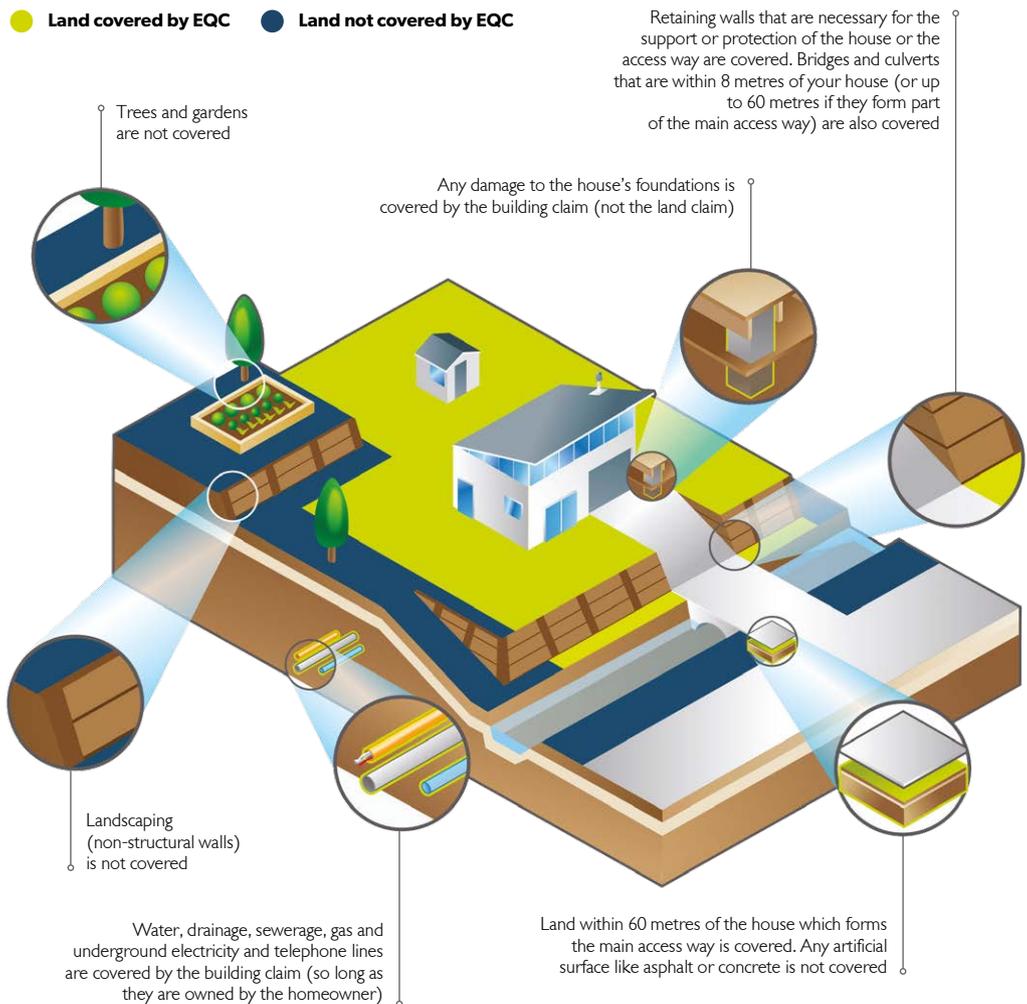
# EQCOVER: INTRODUCTION

The Earthquake Commission Act 1993 ("the Act") establishes the New Zealand government's natural disaster insurance product, known as EQCover.

In February 2019, the Act was amended, bringing in key changes to the law – all of which will be fully in place by July 2020. Refer to page 3 for more information.

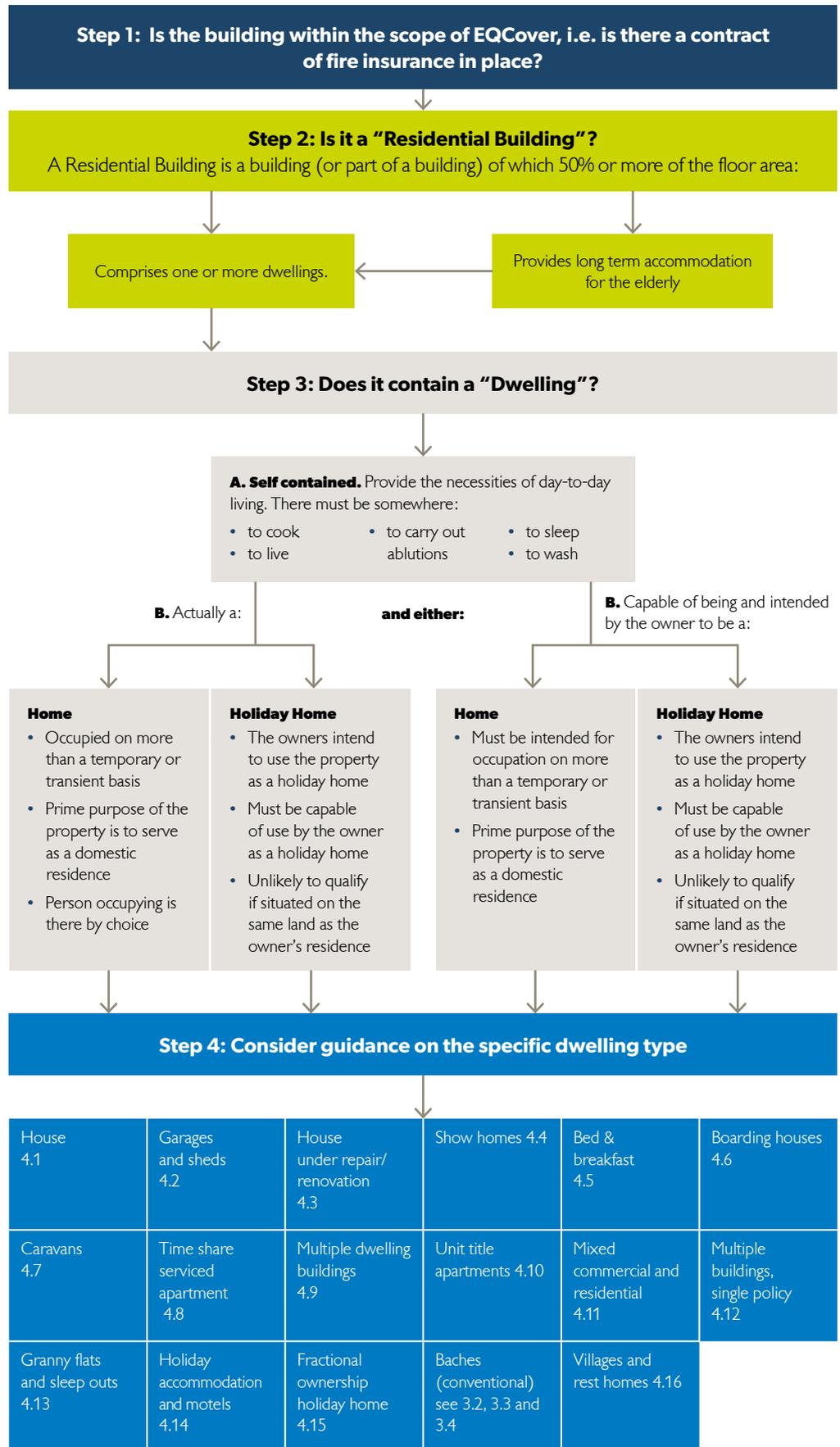
Using the property below as an example, EQCover applies to the following:

<b>Residential Building:</b>	House, 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) \$100,000 per event.
<b>Residential Land:</b>	<ul style="list-style-type: none"> <li>• Land under the house.</li> <li>• Land surrounding the house (8 metres from the edge of the building).</li> <li>• Land under the main access way to the house up to 60 metres in a straight line from the house or land supporting that access way.</li> <li>• Retaining walls supporting or protecting the insured area of land or the house up to 60 metres from the house.</li> <li>• Bridges and culverts in/on the insured area of land.</li> <li>• See paragraph 8.2 regarding the amount of cover.</li> </ul>
<b>Contents:</b>	Personal property in or usually located in the house used for personal, domestic or household purposes by an individual for \$20,000 per event. (Unless the policy of fire insurance states a less favourable basis).



# EQCOVER: RESIDENTIAL BUILDINGS

## SUMMARY:



## 1. SCOPE OF COVER

**1.1. Under section 18 of the 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 disasters are defined as:

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

EQCover for a "residential building" extends to any "appurtenant structures" (refer 1.3) and "services" (refer 1.4). 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 essential

For EQCover to apply, it is essential there is a valid policy of fire insurance over the property at the time of loss. It is the policy of fire insurance which brings the qualifying property "on-risk" for the purpose of EQCover.

### 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. To fall within the terms of paragraph (c) of the definition of "residential building", there must be:

- a. 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. 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 physical loss or damage to the bore infrastructure is. Physical loss or damage, in relation to property, includes any physical loss or damage to property (in the opinion of the Commission) is imminent as the direct result of a natural disaster which has occurred.

### 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;\* or
2. If there is no replacement sum insured, then the sum specified in respect of EQCover;\*\* or
3. If there is no replacement sum insured and no EQC sum specified, then the amount arrived at pursuant to the following formula:\*\*\*  

$$\text{Number of dwellings} \times \$100,000 = \text{amount of cover.}$$

- \* 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:  $\text{size of dwelling (m}^2\text{)} \times \$1,000 = \text{amount of cover}$  (maximum = \$100,000 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).

#### 1. Amount of cover

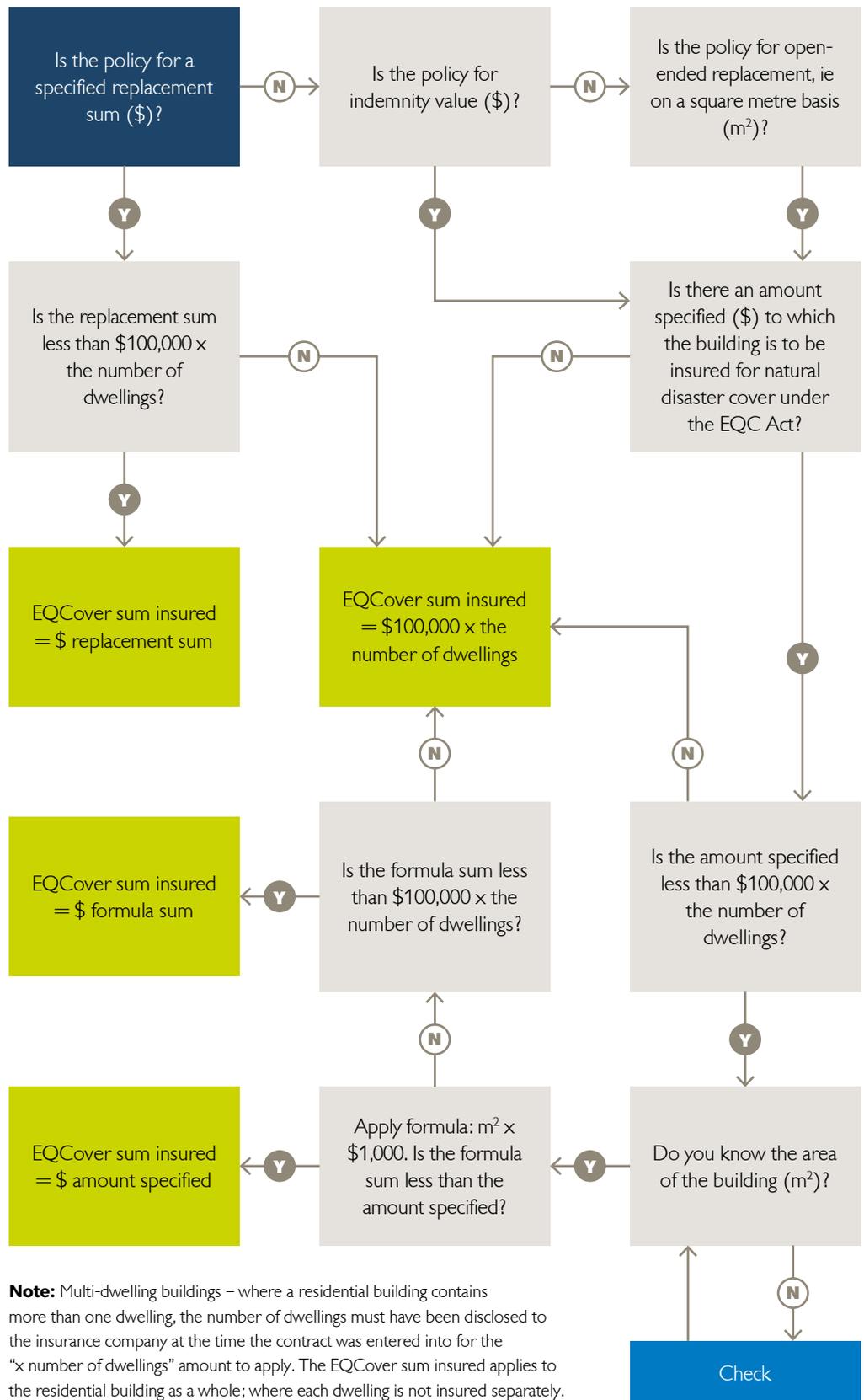
<b>Example EQCover for a Single Dwelling (the maximum amount)</b>	<b>For policies that have not commenced or renewed on or after 1 July 2019* EQCover (the maximum amount of insurance available per event)</b>
Replacement sum insured = \$250,000	\$100,000 (lesser of replacement sum insured or \$100,000)
Replacement sum insured = \$95,000 Area = 105m <sup>2</sup>	\$95,000 (lesser of replacement sum insured or \$100,000)
Open-ended replacement cover Area = 220m <sup>2</sup>	\$100,000 (because no replacement sum insured and no EQC sum specified)
Open-ended replacement Area = 50m <sup>2</sup>	If no replacement sum insured and no EQC sum specified, EQCover will be \$100,000.
Indemnity value Area = 80m <sup>2</sup>	EQCover is the lesser of: <ul style="list-style-type: none"> <li>• An indemnity sum specified</li> <li>• \$80,000 (min: \$1,000 × 80m<sup>2</sup>) and</li> <li>• \$100,000 (max: \$100,000 × one dwelling)</li> </ul> If no EQC sum specified, EQCover will be \$100,000.

\*For policies that commence or renew on or after 1 July 2019, please refer to the July 2019 Insurers guide.

## EXTENT OF EQCOVER

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

- Start point
- End points



## 2. RESIDENTIAL BUILDING TEST

Regarding the building in question, it will be a residential building for the purposes of EQCover if 50% or more of the floor area is dedicated to:

- providing long term accommodation for the elderly; or
- one or more dwellings.

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

Whether a building is a “residential building” must be determined whenever a contract of fire insurance in respect of that building is made and every time that the contract of fire insurance is renewed. If a building is a “residential building” when the contract of fire insurance is made or renewed, EQCover for the building will continue, even if the building no longer meets the definition of “residential building”, until the fire policy lapses or is cancelled or EQCover for the building is cancelled.

If, when the contract of fire insurance comes to an end (whether for renewal or otherwise) the building no longer meets the definition of “residential building”, EQCover will not continue for the building.

## 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 actually 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 premises must contain the facilities necessary for day-to-day living on an indefinite basis. There must be somewhere:

- to cook;
- to sleep;
- to live;
- to wash; and
- to carry out ablutions.

The facilities needed to live in a self-contained manner do not have to be in one building, but must be for the exclusive use of the dwelling.

For example, a property may have an external ablutions building in the grounds. As the whole property has the facilities to enable the people using the house to live in a self-contained manner, and the facilities are not shared with other homes, this property will be self-contained for EQCover purposes.

### 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 somebody's home, then this will constitute a home for EQCover purposes.

Examples include:

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

#### b. "Holiday home"

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

As guidance, 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 somebody else to use it as their holiday home).
- an organisation which 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, like 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, then 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 may 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 to be 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 owners' 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 return again and again 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; and
- by tenants on a periodic basis but the owner too, when the owner wants to use it.

### 3.5. Dwellings generally

As guidance, a dwelling will generally be of the same scale as a house or other typical place of residence.

Examples of situations where there is not a dwelling include:

- premises which provide temporary or transient accommodation (hotels and motels);
- the occupants living there are not in occupation by their own free will (such as a corrections prison, police jail, police barracks, police cells and lock-ups, and armed forces barracks for the accommodation of persons subject to the Armed Forces Discipline Act 1971);
- premises which do not have as their prime purpose the provision of somewhere to live on an indefinite basis (such as hospitals, hotels, night shelters); and
- 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 Act, a building 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. Section 3 of this guide explains what constitutes a "dwelling". This section looks at how the "dwelling" requirements apply in particular situations, as well as considering the rest of the definition of "residential building".

### 4.1. Houses

EQCover applies to houses (in the conventional sense) which include:

- homes where the owner lives in them (whether with others or not);
- homes where the whole home is rented by a tenant (whether with others or not);
- flatting situations (whether one occupant rents the entire home and then lets others live there as well or whether each occupant rents a bedroom exclusively from the landlord sharing other facilities in common); and
- houses where occupants rent individual rooms as their home (on a more than transient or temporary basis) from a landlord (whether or not operating on a "commercial" basis) 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 1.3.

#### 4.3. Contract Works Policy – residential dwelling under extensive repair/renovation

As previously stated the “test date” to determine whether the building is a residential building for the purposes of EQCover is the time the contract of fire insurance is made/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/renewed, EQCover for the building will continue.

Even if the building subsequently ceases to meet the definition of a residential building, cover continues until the fire policy lapses or is cancelled or EQCover for the building is cancelled.

If, when the contract of fire insurance comes to an end, whether for renewal or otherwise, the building no longer meets the definition of a residential building, EQCover will not continue for the building. This has significant implications regarding buildings under renovation.

#### 4.4. Show homes

EQC does not provide cover for buildings like show homes which 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/most recently renewed the show home is capable of being lived in, is on the market to be sold and the intention is that once it has sold it will be lived in, EQCover does apply.

#### 4.5. Bed and Breakfast accommodation (“B&Bs”)

EQCover does apply to a B&B where the owner lives in the house so long as the owner's usable space is 50% or more of the total area of the building or part of the building.

Even if both the owner and guests use the same areas, EQCover would apply as long as the space used by the owner is 50% or more of the total area.

##### EXAMPLE 1

A 200m<sup>2</sup> building partly used for the purposes of providing B&B accommodation. Of the 4 bedrooms, 3 bedrooms with a total floor area of 60m<sup>2</sup> are devoted to guest accommodation. This is 75% of bedrooms but only 30% of floor area. The owner has a bedroom but use of all the other space not comprising the three bedrooms for guests. Total floor area available to the owner exclusively or on a shared basis is 140m<sup>2</sup> of the total 200m<sup>2</sup>

EQCover applies to the whole building as the owner's usable space is 50% or more of the total area of the building.

##### EXAMPLE 2

A two-level B&B with the ground floor devoted to guests. The guest floor contains 2 bedrooms and is otherwise self-contained with a total floor area of 100m<sup>2</sup>. The top floor is reserved for use by the owner, it has two bedrooms and is otherwise self-contained with a total floor area 90m<sup>2</sup>.

EQCover applies to the top floor only, because it is a part of a building and 50% or more of the floor area of that part (i.e. the top floor) comprises a dwelling as defined by the Act. EQCover does not apply to the whole building, because the owner's usable space is less than 50% of the total area of the building as a whole.

##### EXAMPLE 3

A property has two buildings on it, one for paying B&B guests and one for the owners. Only the owners' building is covered even if the guests have to use the bathroom and/or kitchen in the owners' residence.

#### 4.6. Boarding houses and similar

See 4.9 – EQCover on multiple dwelling buildings.

#### 4.7. Caravans

There are two distinct types of caravan accommodation. EQCover depends on if, and how, the caravan is permanently sited.

##### TYPE 1

The caravan is able to be towed to a camp site and is then towed away once the holiday is over. EQCover does not apply.

##### TYPE 2

The caravan is:

- self-contained.
- connected to local services and/or has the ability to be self-sufficient.
- cannot be moved (i.e. wheels removed, fixed to pile structure).

EQCover applies.

The extent of cover depends on whether or not these caravans are insured for Indemnity Value.

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

- \$100,000; or
- the actual replacement cost.

**Replacement sum insured** – EQCover is the replacement sum insured, up to a maximum of \$100,000. 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 EQC however:

- if there is a self-contained manager's accommodation, that accommodation is covered (subject to meeting the other requirements of a dwelling).
- if the building has both serviced and owner-occupied apartments, EQCover applies to the owner-occupied apartments but not to the serviced apartments.

#### 4.9. EQCover on multiple dwelling buildings

There are a number of 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 1.6 (option 3) - ( $\$100,000 \times \text{number of dwellings}$ ).

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 1 and the EQCover would be the least of any replacement or EQC sum insured, or \$100,000.

**APARTMENT BUILDINGS**

Apartment 1	Apartment 7
Apartment 2	Apartment 8
Apartment 3	Apartment 9
Apartment 4	Apartment 10
Apartment 5	Apartment 11
Apartment 6	Apartment 12

**MIXED USE PROPERTIES**

Apartment
Retail Shop

Apartment	Apartment	Apartment
Retail Shop		

Apartment
Offices
Offices
Offices
Offices
Retail Shop

**4.10. Body corporate buildings/apartment buildings**

EQCover calculation scenarios for a complex of 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 = \$1.2m (i.e. 12 x \$100,000).
- Replacement Sum Insured of building = \$1,000,000  
EQCover limited to \$1,000,000.
- Insured for indemnity only.  
12 x \$100,000 = EQCover of \$1,200,000 for the building.

**4.11. Mixed commercial/residential properties**

The examples below show the maximum cover available under the Act. 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.

**EXAMPLE 1**

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

EQCover is limited to 5 x \$100,000 = EQCover of \$500,000 for the building, provided the existence of 5 dwellings is disclosed to the insurer at the time the contract of fire insurance is entered into or renewed.

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

**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.

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

**EXAMPLE 3**

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

The definition of "residential building" includes a "part of a building" that comprises 1 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 \$100,000 = EQCover of \$100,000 for the residential part of the building.

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

#### 4.12. Multiple buildings and/or dwelling 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 may consist of 5 distinct buildings, each containing 2 dwellings. EQCover is calculated for each residential building; rather than on the number of dwellings covered by the policy.

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 to specify an EQC sum insured for each of the residential buildings. However, the EQCover is limited to a maximum of \$100,000 per dwelling for each building.

#### 2. Multiple dwelling scenarios

Situation	EQCover
Body corporate complex. four residential buildings, each with two units, disclosed to insurer. Unit area = 75m <sup>2</sup> . Replacement sum insured 'floats' across all buildings in body corporate = \$1.6m.	\$800,000 (lesser of replacement sum insured or \$100,000 x eight dwellings – maximum EQCover)
<ul style="list-style-type: none"> <li>• Policy covering two residential buildings</li> <li>• Each building is a single dwelling</li> <li>• Building one replacement value = \$150,000</li> <li>• Building two indemnity value, area = 50m<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Building one = \$100,000</li> <li>• Building two =</li> </ul> <p>EQCover is the lesser of:</p> <ul style="list-style-type: none"> <li>• an indemnity sum specified</li> <li>• \$50,000 (min: \$1,000 x 50m<sup>2</sup>) and</li> <li>• \$100,000 (max: \$100,000 x one dwelling)</li> </ul> <p>If no EQC sum specified, EQCover will be \$100,000.</p>



### 4.13. Granny flats, sleep-outs and other structures

A situation may cover or include a granny flat, sleep-out or other structures. Separate EQCover for the granny flat or sleep-out will only apply if it meets the definition of "dwelling" in the Act. The same rules apply as for other buildings.

#### WHERE A GRANNY FLAT IS NOT SELF-CONTAINED

If a granny flat is not self-contained, additional EQCover will not apply as it will not be a "dwelling". The non-self-contained granny flat 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.

#### WHERE THE GRANNY FLAT IS SELF-CONTAINED

If the granny flat is self-contained, then it must be being lived in as somebody's home (or intended by the owner to be lived in as somebody's home) in order to be considered a separate dwelling under the Act.

Where the flat is occupied or used by the same household occupying the main dwelling, then the flat will not generally be a separate dwelling in its own right.

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

Where a flat, sleep out or other structure is a separate "dwelling", then EQCover will be calculated on either the multiple residential building basis above (for detached dwellings) or on the multiple dwelling basis (for attached dwellings).

### 3. Granny Flats

Situation	EQCover
Dwelling with self-contained tenanted granny flat in same building. Replacement sum insured for building = \$400,000	\$200,000 (\$100,000 x two dwellings) if the existence of two dwellings in the building was disclosed. Otherwise \$100,000 only.
Dwelling with self-contained granny flat in same building, and the flat is used as a place for family and friends to stay when they visit. Replacement sum insured for building = \$400,000	\$100,000. The flat is considered included in the main building.
Dwelling with a self-contained, detached granny flat. Replacement sum insured. Dwelling = 200m <sup>2</sup> Flat = 50m <sup>2</sup> Flat used as 'guest house' for visitors.	\$100,000. The flat 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 Flat tenanted.	Dwelling = \$100,000 Flat = \$90,000 (lesser of replacement sum insured or \$100,000)
Dwelling with non-self-contained granny flat (either in the same building or separate).	\$100,000. The non-self-contained granny flat is included within EQCover for dwelling.

#### 4.14. Holiday accommodation and motels

EQCover is limited to \$100,000 for the manager's accommodation only.

Motel	Motel	Motel	Motel	
Motel	Motel	Motel	Motel	Manager's accommodation

#### 4.15. Fractional ownership

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 only 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, then 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 does not generally apply.

#### 4.16. Retirement villages

Rest homes are covered by EQC because they are specifically included under the Act: see paragraph (b) of the "residential building" definition.

- a. The rest home shown is a single building, containing dormitory type accommodation and full accompanying facilities.

Rest Home	Manager's accommodation
-----------	-------------------------

The building also includes self-contained accommodation for the owner/manager.

EQCover would be \$100,000 for the rest home part and \$100,000 for the owner's/manager's accommodation.

Garages for villas		
Villa-style accommodation	Villa-style accommodation	Villa-style accommodation
Hospital		
Rest home accommodation, not self-contained		
Rest home administration, dining, laundry, living areas		
Chapel		

Contents of the rest home and contents of the manager's accommodation can be covered for up to \$20,000 each, provided that they meet the definition of "personal property".

If the residents' effects are covered by the rest home policy, each resident is able to obtain up to \$20,000 of cover, provided that the policy takes effect as a separate contract of insurance in respect of each resident or situation (and it will be easier to determine the issue if the policy states expressly that is the intention). Otherwise, the total amount of EQCover available will be limited to the amount specified in section 20 (that is presently up to \$20,000).\*

\*see paragraph 9.4.

b. For multiple building complexes ("villages") see below:

Example	EQCover	Total EQCover
Villa-style accommodation (each villa containing one dwelling) (only three villas and all in one building)	Up to \$100,000 per dwelling.	\$300,000 for the whole building containing three villas, if the existence of three dwellings in the building was disclosed.
Villa personal property (only three villas)	Up to \$20,000 (for each contract of fire insurance for personal property).	\$60,000
Garages	Included in cover for villas.	–
Rest home accommodation and administration/dining etc	Equates to one residential building.	\$100,000
Rest home personal property (excluding property solely or principally used for commercial purposes)	Up to \$20,000	\$20,000
*Rest home residents' effects	Up to \$20,000	\$20,000 x number of policies.
Hospital – either part of the main rest home, or a separate but appurtenant structure	<p>If providing a higher level of rest home care (and therefore providing long-term accommodation for the elderly), it will be captured by paragraph (b) of the "residential building" definition.</p> <p>If hospital is providing care where patients are admitted for a particular reason, treated and then released back to the rest home, it will not be providing long-term accommodation for the elderly and so will not be captured under paragraph (b) of the "residential building" definition. However, it may be an appurtenant building or structure (if used for the purposes of the residents) to the rest home complex, and so captured under paragraph (c) of the "residential building" definition.</p>	<p>\$100,000</p> <p>Included in cover for the rest home, provided it is used for the purposes of the residents and is appurtenant to the main building.</p>
Chapel	Classified as an appurtenant building or structure (if used for the purposes of the residents) to rest home complex.	Included in cover for rest home/village complex.

\*see paragraph 9.4.

## 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 either a residential building or personal property in New Zealand. Where the insurance company carries on 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 into 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 direct 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 (\$) × 0.002

The most common EQC premium amount will be \$200 for a residential building containing one dwelling with EQCover of \$100,000, and \$40 for contents with EQCover of \$20,000.

Where the period of insurance is other than one year, a pro rata proportion (on a daily basis) of the amount that would be payable for a one-year period is payable, rounded to the nearest 5 cents.

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 still be able to get EQCover for natural disaster damage. They will need to contact EQC directly for more information.

## 7. SECTION 30 OF THE EARTHQUAKE COMMISSION ACT

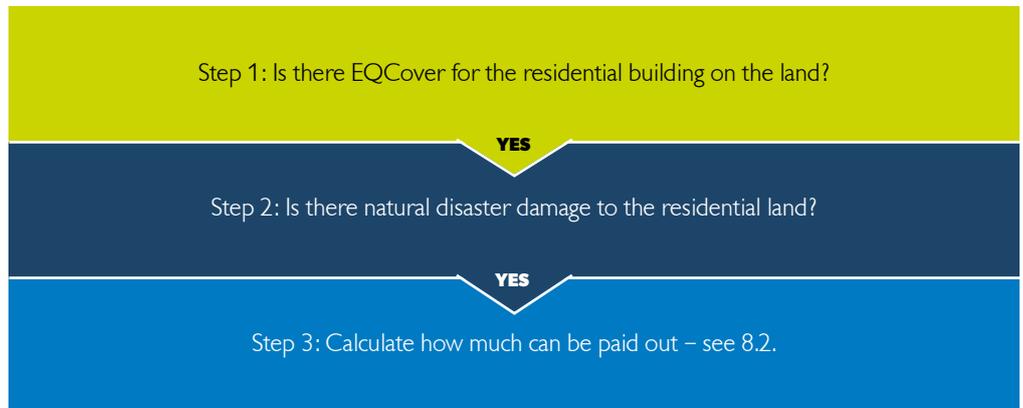
Section 30 of the Earthquake Commission Act 1993 (the Act) is headed "Insurance other than under this Act". It provides certain rules for situations where, upon the occurrence of natural disaster damage to a property covered by EQCover, the property is also insured against that damage under a contract 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"</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 Act).
<b>"Top-Up"</b>	EQC pays for all natural disaster damage covered by the Act up to the limits specified in the Act, and then the insurance company pays for the balance.

The EQC premium is payable wherever a contract of fire insurance is entered into in respect of "Residential Building" or "Personal Property". Accordingly, the EQC premium is payable even where a "ground up" natural disaster policy has been entered into for that building, if the contract of insurance also insures against fire.

# EQCOVER: RESIDENTIAL LAND

## SUMMARY:



## 8. EQCOVER: RESIDENTIAL LAND

### 8.1. Cover

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

EQCover for land is limited to land that is within the property boundary – and includes:

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

EQCover also provides some cover for:

- bridges and culverts located entirely within the areas referred to above; and
- 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:

- the cost to repair the damaged land (or in some cases the diminution in value of the land); or
- the value of the damaged land, or the value of 4,000 square metres, or the value of the minimum-sized site allowed in the area where the damaged land is situated – whichever is the lowest.

Bridges, culverts, and retaining walls that support the residential building or insured land are covered by EQCover for indemnity value. This means the valuation takes into account their age and condition.

### 8.3. Bare land

Bare land that is not situated within a land holding with a residential building on it is not covered.

### 8.4. Multiple access ways

If the residential building has several access ways (driveways and/or pathways and/or separate driveways) only the main driveway (or pathway if the property does not have a driveway or the driveway is not the main access way) is covered, up to 60m in a horizontal line from the residential building.

### 8.5. Multi-title properties and easements

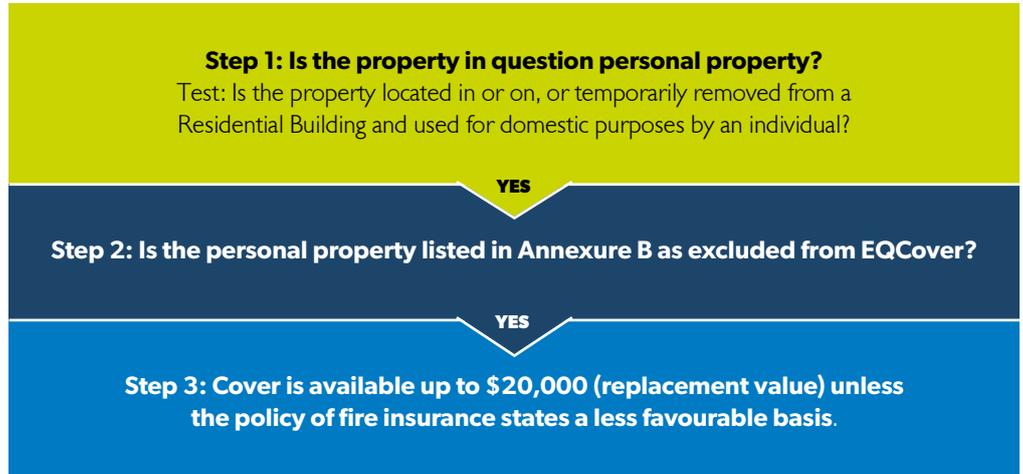
It is necessary to determine what is within a property's boundary for the purposes of identifying what residential land is insured in connection with a given residential building. For example, the insured area of residential land can comprise land on two or more different Certificates of Title, if the 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 back yard 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, but can extend across to the adjoining title.

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



# EQCOVER: PERSONAL PROPERTY.

## SUMMARY:



## 9. EQCOVER: PERSONAL PROPERTY

### 9.1. Cover

Cover for personal property is independent of cover for the residential building and requires that the personal property be insured against fire (although the personal property must usually be located in or on a residential building).

### 9.2. Definition

"Personal property" is property that is located in or on a residential building; and includes property that is usually so located but is temporarily removed from the building for any reason; but does not include any property used solely or principally for commercial purposes.

### 9.3. Amount of cover

EQC insures personal property insured against fire as follows:

- for its replacement value (but, if it is insured against fire on a less favourable basis, on that basis).
- to a maximum value of \$20,000 (but, if it is insured against fire for a lesser amount, that amount).
- on a per event basis.

### 9.4. Personal property at multiple situations but insured under one policy

In order to insure personal property under one policy document, where:

- there is intended to be more than one insured situation; or
- where the insured situations contain personal property belonging to more than one person (where it is intended that the property should be separately insured, e.g. rest home);

The following endorsement can be used on the policy of fire insurance:

"For the purposes of Section 20 of the EQC Act 1993, each situation (and/or identified resident) has a separate fire insurance contract in respect of each such situation or resident."

This endorsement will then enable each situation or resident to have contents insured up to \$20,000.

### 9.5. Personal property in storage

EQCover extends to personal property in storage, either:

- i. temporarily stored (if the intention is for the personal property to return to a residential building) at a storage facility until they are then sent on to a new residential building, or;
- ii. temporarily removed from a residential building and then returning to that residential building.

This is generally regarded as acceptable for up to 12 months. Longer situations will be considered on their individual circumstances, if there is evidence of a definite intention by the owner for the personal property to return to a residential building.

### 9.6. Personal property in transit within New Zealand

If the insurer's contents policy (covering fire) excludes cover while in transit, there is still EQCover while the personal property is in transit so long as the contents policy remains in force.

If a contents in transit policy is taken out and includes cover for fire, then EQCover applies provided the property otherwise meets the personal property definition.

### 9.7. Personal property (including landlord's personal property) as a sum insured or as a policy extension

If personal property is listed in the schedule to the policy as property insured, EQCover should be included for up to \$20,000, or any lesser sum specified for the personal property.

If the cover for personal property is included as a policy extension, EQCover applies.

If cover for personal property is included in the dwelling sum insured, EQCover applies.

### 9.8. International students' personal property cover

As long as the other criteria relating to personal property are satisfied, EQCover applies to the student's contents that are in New Zealand.

There are various insurance policies (with cover for fire) available for covering the contents of international students when they are studying in New Zealand.

Unlike travel policies that cover contents while on holiday, this cover is generally for the period that they are residing and studying in New Zealand - usually a year or more.

If the contents are not usually located in a residential building, as defined by the Act, they will not meet the definition of personal property and EQCover will not apply.

### 9.9. Exclusions

The definition of "personal property" excludes any property "used solely or principally for commercial purposes". The key is how the property is used and by who. If used domestically by an individual it is most likely to be covered. If used commercially by a person in business it will most likely be excluded.

Property like computers and filing cabinets in a home office will be excluded if they are used by a person primarily to work from home.

Contents provided as part of a commercial operation will be covered if used primarily for residential purposes. For example, furniture provided for rest home residents' use, like beds, cabinets and chairs, will be covered even if they are owned by a commercial rest home operator. Although provided as part of its business, the benefit and use of these items is for residential purposes.

For a list of items specifically excluded under the Act see **Annexure B**.

# ANNEXURE A: MAKING A CLAIM WITH EQC AND EXCESSES

Customers must contact EQC within three months of the damage occurring. This three month rule is prescribed by statute and cannot be extended.

It is better for the customer to lodge a claim directly with EQC rather than through their insurance company. 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**

EQC will ask the customer for an idea of the extent of damage and with whom they are insured. EQC will tell them whether a loss adjuster will call to help with the claim or whether they can go ahead with getting repairs done. EQC will follow this up in writing.

Customers can:

- make temporary repairs for safety or to prevent further damage or discomfort.
- get essential services like toilets and water systems repaired immediately, but they should keep everything the repairer replaces and the paid invoice.
- clean up spillages or crockery and glass breakages.
- dispose of perishables like ruined or spilt food. (They should list the items as they bury, burn or dump).

If possible, customers should take photos before moving and repairing or disposing of anything.

## 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 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 certificate of title 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 **Annexure 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.

## EXCESS APPLICABLE PER EVENT

### Properties containing only one dwelling:

	Excess – % of claim	Min. payable	Max. payable
<b>Dwelling</b>	1%	\$200	\$1,150
<b>Personal property</b>	–	\$200	\$200
<b>Land</b>	10%	\$500	\$5,000

### Properties containing more than one disclosed dwelling:

**BUILDINGS:** \$200 multiplied by the number of dwellings in the building or 1% of the amount payable, whichever is the greater.

**LAND:** \$500 multiplied by the number of dwellings in the residential building which is situated on the land, or 10% of the amount payable, whichever is the greater, to a maximum of \$5,000.

### Damage to both a dwelling and personal property:

For excess purposes, EQC treats building damage and contents damage as part of the same claim (where the contents are in the same building and the damage is caused by the same natural disaster).

For claims where the combined total value of the building repair and related contents settlement is \$20,000 or less for the claim, excess is \$200 for each valid building claim where damage occurred.

If the combined total is more than \$20,000 for the claim, the excess is 1 percent of that total value.

The figures on this page are GST inclusive.



# ANNEXURE B: ITEMS EXCLUDED FROM EQCOVER

**A specific list of EQCover exclusions is contained in Schedule 2 of the Act and is reproduced below:**

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.
17. Any jewellery, precious stones, money, works of art, securities, documents, or stamps.

# ANNEXURE C: NOTIFICATIONS AFFECTING EQCOVER

## CERTIFICATE OF TITLE NOTIFICATIONS

In certain circumstances a notification on a property's Certificate of Title (CT) under Section 72 of the Building Act 2004 or Section 28 of the Act may affect EQCover.

## SECTION 72 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 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 CT.

### 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 CT 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, and 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 CTs 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 CT by the Registrar-General of Land whenever a conditional building consent has been granted.

## SECTION 28 OF THE EARTHQUAKE COMMISSION ACT NOTICE

### What a Section 72 notification means for EQCover

If a property has a Section 72 notification on its CT (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; or
- decline the claim.

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

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

Of course, 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.

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

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

A section 28 notice is most commonly placed on a CT 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 CT.

### Getting a section 28 notice removed from a CT

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 CT, 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 Act that allow EQC to decline or partially meet a claim.