



Earthquake Update

AUGUST 2015

Protecting your property during construction

Last month we confirmed that we'll pay for the MAS Contract Works cover for your project.

To apply for a contract works policy for your project, our Christchurch Adviser Support Team will be your first point of contact. We'll ask you to complete an application form and provide copies of your building contract and project plans at least three working days before construction works begin.

Following on from our July update, here is some information about contract works insurance that you may find helpful.

Why do you need it?

Contract works insurance covers loss or damage to the part(s) of your house under construction during any kind of project – a renovation, repair, rebuild or demolition. So if, for example, a fire occurs during any stage of the project, your contract works cover ensures that the damage can be put right. This may include:

- ▶ demolishing and disposing of any debris from the insured property following a loss
- ▶ re-engaging architects, engineers or other professionals to review and redesign plans
- ▶ re-engaging the main contractor and any sub-contractors to redo the work
- ▶ accounting for any increase in material and labour costs during the initial project period and the reconstruction period.

How does it work with your house policy?

If your project is a complete **rebuild** of an existing dwelling, there's no need for a concurrent house policy, as the property will be demolished and replaced. In this case the entire risk will be covered under the contract works policy.

If the project is to **repair** an existing structure, the contract works policy sits alongside your house policy to ensure that there are no gaps in cover.





MAS House insurance

During the construction period, your MAS House policy covers loss or damage to any part of your dwelling that is not under construction. Your policy may also cover any damage to your garden up to \$5,000, depending on the type of policy you have. We'll add an endorsement to your policy to note that your house is under repair, and there may be some changes to the way your policy responds during construction.

Once your project is complete, we'll re-underwrite your property and should be able to provide replacement cover, subject to our normal underwriting acceptance criteria. Please contact us to arrange an updated policy once you have received (or are about to receive) either the Practical Completion Certificate from your lead consultant, or a copy of the Code of Compliance Certificate from the Council, whichever comes first.

Either of these documents signifies the end of the construction period and the date from which your house insurance should be updated.

Because the two types of insurance work in parallel in a repair or renovation, it's important that the same insurer provides both policies. The policies are intended to align to avoid gaps in cover – or a complicated claims situation dealing with two insurers – in case an unfortunate loss occurs during construction.

*This newsletter provides a general summary of MAS House and Contract Works insurance policies and how they work together. For full details, please refer to the policy documents which are available at mas.co.nz or by calling **0800 800 627**.*



MAS Contract Works insurance

As mentioned above, your MAS Contract Works policy covers loss or damage to the part(s) of your house under construction while your project is completed. It covers all property that is part of the project (whether completed or under construction).

Usually a standard 3-month defects period is noted in your building contract – it's known as the 'defects period' because it's the time allocated to addressing any defects found once the work is complete. If no defects period is noted in your building contract, your contract works policy will cover any defects that may not come to light until up to six months after completion. In our policy this is referred to as the 'maintenance period'.

Builder's liability

All tradespeople working on your project should have sufficient public liability cover in case they negligently cause accidental property damage or bodily injury to any third party, including you as the property owner.

When you apply for MAS Contract Works cover, we may ask you to allow us to recover costs on your behalf, just in case something unfortunate that's insured under your policy happens. We may then step into your shoes to rectify the property damage and pursue the party responsible for any costs.



Check your title

It's important for your ongoing insurance that the ownership and interested parties noted on your policy schedule are accurate. We've found that many titles for the properties we insure do not reflect the details that we hold on file.

Some common situations we've come across include:

- ▶ A house has been transferred into a family trust or out of a trust and we haven't been notified.
- ▶ A house is noted in the name of the family trust, but the trustees have been changed and we haven't been notified.
- ▶ The interested party is incorrectly noted – either there is no longer a mortgage, or the interested party has changed to a different bank and we still have the old one noted, causing delays in payment when settling the claim.

Please call us on **0800 800 627** or email info@mas.co.nz to update our records.

Set up a dedicated bank account

We recommend setting up a separate banking account to manage your project payment and outgoings.

This account should hold the funds from both EQC and MAS. It can also hold the funds to pay the betterment portion of the rebuild if required. The account should be in the building owner's name – whether that is a trust, the individual, or individuals if jointly owned.

We're suggesting this so that Members can keep track of funds coming in and out, and easily produce statements if we have any queries in the future – as the payments will match the invoices for the various works. Sometimes banks struggle with what exactly the payment is intended to cover, and our EQ Team will be happy to contact your bank to ensure they understand this.

If you have any concerns, you should discuss this with your legal adviser or independent trustee.

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Our progress

To date we've made 270 payments – both PCPs and cash settlements – and physical works have been completed for 123 claims in our programme.

Five claims were confirmed over-cap by EQC and transferred to us since our last update.

Proposed EQC Act changes

Public submissions have been invited on proposed EQC Act changes to improve the claims experience following a large-scale natural disaster. Detailed in *New Zealand's Future Natural Disaster Insurance Scheme*, the main changes include:

- ▶ Private insurers receive EQC claims for authentication before passing to EQC, and manage some or all of the claims process on EQC's behalf.
- ▶ EQC building cover is extended to include features of the current EQC land cover.
- ▶ Separate EQC land claims are limited to where it is not feasible or cost-effective to rebuild on the original site.
- ▶ EQC no longer provides contents cover.

You can read the overview flyer at www.treasury.govt.nz/publications/reviews-consultation/eqc/pdfs/eqc-rev-flyer.pdf and the discussion document at <http://www.treasury.govt.nz/publications/reviews-consultation/eqc/pdfs/eqc-rev-discussion-doc.pdf>

Instructions for making a submission are available at www.treasury.govt.nz/publications/reviews-consultation/eqc

Submissions must be received by **5pm on 11 September**.

Yours sincerely,

MAS EQ Team

Call us today:
0800 800 627

Visit us online at www.mas.co.nz

