



# Earthquake Update

FEBRUARY 2016

We hope you've enjoyed some relaxing time off this summer. In this update we cover the full and final cash payment option to settle your claim.



## Member event marking fifth anniversary

We'd like to thank all those who joined us for our Member cocktail function at the Tait Technology Centre last Wednesday.



In his opening remarks for the evening, Chairman Richard Tyler recognised the fifth anniversary of the February 2011 earthquake as significant in New Zealand's history. "A number of our Members distinguished

themselves in aiding and treating victims that afternoon and in the days that followed in conditions that must have been akin to a battlefield," he said.

Dr Tyler gave an update on our EQ reinstatement programme progress, noting of the 469 total over-cap claims we've had, 300 have been repaired, rebuilt or settled as full and final. Construction is underway on a further 43 properties, and advance payments have been made to 50 Members based on the estimated cost to reinstate their homes.

Around 76 claims are still to be resolved, of which half were advised as over-cap by EQC only in the last 12 months. He emphasised MAS remains the only New Zealand insurer to offer full replacement cover, and has undertaken a significant review of the estimated costs to reinstate properties around the country to make sure premiums are fairly applied and shared.

"As a mutual we understand the importance of maintaining appropriate levels of capital and reinsurance to support Members' policies, but particularly open-ended replacement cover. Relative to other insurers operating in New Zealand, we maintain conservative levels of both," he said.

Our Board also appreciated the opportunity to visit earthquake affected Members' homes earlier in the day. "This is the third year the Board have undertaken similar visits and each time we have been struck by the complexity of the design and engineering challenges. It has also been gratifying to see Members able to return to their repaired and rebuilt homes after the long wait many have endured."



## Your option to cash settle

Some Members with claims in our EQ reinstatement programme have not yet decided whether to cash settle their claim or proceed with a pre-construction payment process to repair their property.

A **cash settlement** is a full and final cash payment that is generally made where:

- ▶ you don't intend to repair or rebuild your property and/or
- ▶ you may prefer to sell it on an 'as-is-where-is' basis; or
- ▶ you intend to significantly alter your property.

If you choose this option, the payment will cover the costs to repair the earthquake-related damage to your home. This is subject to the limits of cover provided by your policy, and the costs need to be both reasonable and necessary – and in some cases this may mean you are only entitled to indemnity value. As part of the process we'll work with you to agree the cash settlement amount.

## What your policy covers

If you do not intend to rebuild or reinstate your property, your policy entitles you to a cash settlement not exceeding the *indemnity value* of the scoped damage. Indemnity value means the depreciated replacement cost or value of the damaged item at the time of the loss.

However, we will make a full and final cash payment based on the estimated reinstatement costs of your dwelling as explained below, provided we can reach agreement on those estimated costs.

## How is a payment calculated?

A full and final cash payment is based on the information provided by your lead consultant. For example, the estimate could be based on scoping or concept design information, detailed design information, or tender information (known as the 'builder's price').

The detailed estimates are split into elements including substructure, superstructure and exterior envelope, interior fit out, services and external works.

The work is measured and priced by a quantity surveyor, applying current market rates to the scope of damage which includes the measurements of all elements – for example, the wall area for gib, plaster and paint. Additional allowances for builder's overheads and profit are added, as well as professional and building consent fees, and GST.

## What documents do you need to sign?

You will need to agree and sign a Discharge Agreement acknowledging the payment as a full and final settlement of your claim.

You will also need to agree and sign a Deed of Assignment of EQC land claims between you and MAS if:

- ▶ we are covering the cost of enhanced foundations to address vulnerable land issues.
- ▶ the external works include repairing pathways, driveways, swimming pools, tennis courts or retaining walls that have been damaged because of the land underneath them.

Your policy does not cover land damage. If the land under your property has been damaged or designated as vulnerable to flooding and/or liquefaction, the foundation may need to be enhanced. This will often require a site-specific engineering solution.

Because we are not asking you to use your EQC land claim funds to fix the land before your house is repaired or rebuilt, it is reasonable that you meet the costs for an enhanced foundation.

However, we will only seek to recover the costs of the foundation solution. If the costs are less than the EQC land claim funds you've received, you keep the difference. If the costs are more than the land claim, we will not seek to recover the shortfall from you.



## February 14 New damage

If your property sustained any new damage on 14 February, please make sure you **lodge a claim** with EQC.

Please also let us know by calling us on **0800 800 627**, or if you have an iPhone or iPad you can download our MyMAS app from the **app store** and make your claim online at your convenience.

It would be helpful for you to take photographs of the damage to assist the claim process.



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