

## Questions from Brooklands residential red zone workshop

1 March 2012

### **Insurance**

Answers provided by AMI

**1. If you purchase land in a TC3 area, can you get insurance? Will it cost more?**

Insurance cover will always depend on the quality, type and location of the property. There is no insurance cover prohibition on TC3 land. Over time and with insurance cover and premium reviews, all property insurance cover will cost more than they do currently.

**2. If you take a cash settlement from an insurer, will they continue to offer you insurance?**

This will depend on many circumstances. Discuss your individual situation with your insurer.

**3. If you purchase a new section while waiting to build is it correct in saying there will be no insurance cover on that land?**

Yes, EQC only covers land when there is a house on the land and the house is insured for "fire" damage.

**4. Will insurance companies pay for a geotech report on a section I am buying? Will they pay for more than one?**

No, not specifically just as part of a section purchase. In certain cases where the section is specifically for a replacement house with insurance company agreement, and as a requirement for the building permit a geo tech report is required, the insurer will pay. The insurer will not pay for multiple geotech reports.

**5. What is the process from claim lodgement to settlement?**

This is best discussed with your insurer but there is information published on insurer's web sites and is also available on information sheets.

**6. If you buy a lower price house, can you retain the difference?**

No.

**7. Can we use the accommodation allowance while waiting to find somewhere else to build after April 2013?**

Yes under most insurance policies you have a maximum total time of 12 months of temporary accommodation if you have contents insurance cover. NB: there is also a limit on temporary accommodation costs under the AMI contents policy of a maximum of 25% of the contents sum insured. E.g. If contents policy sum insured is \$60,000, a maximum of \$15,000 is available for temporary accommodation use over 12 months.

**8. How long is there between signing an agreement with your insurer and your ability to purchase a property if you choose purchase (over rebuild)?**

Often, the time frame can be very short but there are many variables for each case. The legal checks, processes and documentation may also take some time to work through.

**9. Why are insurers forcing policy holders to buy or build a house that has a direct replacement/same value?**

- Why not indemnity cost, why less?

- **Is there a set formula?**
- **Would you allow downsizing or ensure no loss with cash payments? (e.g. older person buying smaller unit)**

Insurers are not “forcing” this value of settlement, but the insurance company must settle within the terms of the house insurance contract. Most house insurance contracts are for “replacement” of the house with some options within that definition. There is no “balance of cash” entitlement available within the settlement options under the insurance policy.

**10. How do they work out the value/equity of a house?**

The insurer relies on a registered valuation for the indemnity offer of a market value house settlement.

**11. Why, if I am in the red zone does the cost of repair work not have to come up to the building code?**

All repair costs in the red zone are based on compliance with the current building code requirements.

**12. Will the insurance offer be adjusted for inflation?**

The insurance offer is based on the costs at the time the offer is calculated. This is especially relevant if considering the “buy another house” option. If a replacement house rebuild is chosen under the policy entitlement, the cost of the rebuild will be met under the policy as at the time the costs of the rebuild are incurred.

**13. What is the methodology for measuring slabs?**

All insurers want to get it right and give people what they are entitled to. It depends on measurement of property and will likely vary according to the type of construction. If you disagree with the quoted rate, you should take this up directly with your insurer.

**14. What redress do we have to an unfair offer from an insurer?**

There is a review process offered by insurers through their internal review procedure.

**15. For rebuild, does insurance cover the costs of pathways and landscaping?**

Under most policies, yes for pathways if they are damaged. However, there is no cover for landscaping under most policy.

**16. Costing of repair – is there a minimum standard of a repair?**

**a. Are they undervaluing the cost of a repair?**

All repair costs must be in accordance with good trades practice and where necessary for the type of work required, to comply with building code requirements.

**17. How does red zoning of my house affect my contents policy?**

Your contents policy is not affected by the red zone location of your house.

**18. How can insurers say you are a repair in the residential red zone? This system seems unfair.**

**b. How can my house be assessed a repair in a red zone?**

This is based on a professional assessment of the repair costs. If repair costs are assessed as greater than a complete rebuild, then the house is uneconomic to repair.

Insurance assessments are made based on the state of your house not your land, therefore an insurer may consider the house to be repairable even if the land has been red zoned.

**19. Can we access our house after settlement (option 2)?**

No, the house is no longer your own property.

**20. How long will it take to get an offer? (Timeline)**

In respect of your insurer, all AMI properties have been assessed for damage and offers made. If an insurance offer on a damaged house has still not been received, talk directly with your insurance claim case manager.

**21. Is there a review process for the insurance company offer for homes in the red zone?**

There is a review process offered by insurers through their internal review procedure.

**a. Is an independent arbitrator available?**

No, but on completion of an insurance company internal review, the Insurance & Savings Ombudsman may be requested, at no charge to the policy holder, to undertake an independent review if the claim meets the criteria for ISO review.

**22. If the insurer only pays out a repair and you continue to own it, who then takes the house away?**

Discuss with CERA when the property is sold to CERA under Option 1 of the Crown offer. Discuss with your insurance company when the property is sold to CERA under Option 2 of the Crown offer.

**b. Can the owner take the house and move it?**

Such a request needs to be referred to CERA under Option 1 of the Crown offer. Such a request needs to be discussed with your insurance company under Option 2 of the Crown offer.

**23. Will there be reassessments?**

Generally no, unless required to review an EQC/insurer assessment.

**24. Why won't insurance companies give us anything in writing?**

All insurance company settlement offers are in writing.