

Questions from Kaiapoi residential red zone workshop

8 February 2012, Kaiapoi Working Men's Club
Answers provided by IAG

Insurance

1. Will the insurance company cover my house if moved?

a. Who pays for house relocation?

b. Can I move my house to another section?

Relocating their house may be an option some customers wish to discuss with their insurers. For more information about whether your policy can cover relocating your home, please contact your claims case manager to discuss your personal situation.

2. How can you be paid out for a house in the red zone and be given a price for repairing your garage?

The property covered by your policy includes your house, outbuildings and other domestic structures. Because we have compiled separate costings for the damage suffered to each, it is possible your house has been deemed a total loss, and your garage only needs repairs.

3. Red zone repair – repair on house? How come land is treated as being good land and not bad like it is?

Your insurance company does not insure your land, only your home, outbuildings and other domestic structures. This means that insurers treat the land as if it had been remediated to pre-earthquake standards, and assess only the damage suffered by your home etc. and then decide whether they can be repaired or need to be rebuilt.

4. Who pays for foundations in TC3 areas?

If your foundations have been earthquake damaged, your insurance policy will cover the cost of designing and installing new foundations to replace or repair the damaged foundations. For some customers, this work may be undertaken by the EQC when they are managing the claim for damage to their home.

If your foundations are not earthquake damaged and complied with the Building Code at the time of building, they will still be compliant now. They will not require replacement or repair until renovations (if any) are made to the home.

5. Can insurance be guaranteed to continue after the first 12 months?

If you are an existing customer of IAG Corporate Partnerships, State, NZI or Lantern Insurance and your repairs or rebuild have been authorised by us, at this point in time we will offer contract works insurance to cover the construction period of your new home and ongoing house insurance once a Certificate of Compliance is received from your local council.

6. Have insurance premiums increased nationally or just for Canterbury?

Insurance premiums have increased nationally. Part of the increase is a national increase in the EQ-Cover levy, which came into effect on 1 February 2012. Other increases are mainly due to the increased costs insurers have to pay for reinsurance cover, so they are covered for major events like the Canterbury earthquakes.

7. Why do different insurance companies have different criteria to build on the same section?

Each insurance company decides how much risk it wants to take on, and then sets its own criteria to keep the risk at a level that it is prepared to have on its books.

8. Why are paths, driveways and fences not included in my offer?

They are included, unless they do not need to be repaired or rebuilt. Insurance only covers what has been damaged.

9. Can I request my file?

Under The Privacy Act 1993, you are entitled to request any information your insurer holds about you. If there is specific information you would like, please ask your insurer for this as this can be given to you more quickly than your entire file.

10. What is the likelihood of class actions against insurance companies?

We do not know what the likelihood of this is.

11. Will insurance companies strongly request CERA to extend the timeframe for option choice?

CERA and insurance companies are keeping a close eye on the number of people who are yet to decide on an option. CERA has been contacting these people to understand the reasons for not having made a decision.

12. What is the review process if you disagree with your insurance offer?

This depends on the reason for disagreement. If you believe something has been left off your scope, call your claims case manager in the first instance. They will ask you to provide details of the important items that you believe have not been taken into account and will check these against your scope. If necessary, a team may return to your house for an assessment review.

13. When are the repairs too costly and so it becomes a rebuild?

This varies between insurance companies. Some companies will deem that if the cost of repair exceeds a high proportion of the rebuild cost of your home, the house is deemed a total loss. Others will decide that if it is more economically viable to repair the home, no matter how close to the rebuild cost, the house will be repaired.

14. How can a red zone house be a repair?

Your insurance company does not insure your land, only your home, outbuildings and domestic structures. This means that insurers assess only the damage to your buildings etc., and decide whether they can be repaired or need to be rebuilt.

15. Why do we have to build a house to the same footprint?

Your insurance policy covers your existing house and where it is insured for replacement this is on a 'new for old' basis. If you want to add something to your new house that wasn't in your existing house, for example an en suite bathroom, or change the layout, this may be able to be accommodated but at your expense.

16. How do we know we are getting the true offer/value spent on the house? No deals between builder and the insurer.

Insurers are required to pay to rebuild your home within the terms of your policy, so that the new home receives a Certificate of Compliance from your local council. All insurance companies will work with a number of different builders. At IAG, we have approved 21 reputable home building companies to build homes for our customers, and are paying market rates for labour and materials.

17. What are the benefits and disadvantages of self-managing your rebuild?

This will be an individual decision based on the situation of each customer. Some customers find it much easier to work with a project manager, as they will manage all parts of the rebuild process for you with the aim of completing it smoothly on time and within budget, while others like to manage this themselves. Before making your decision, you may like to speak to people you know who have chosen one of the two different options and weigh up the pros and cons relevant to your situation.

18. Why is insurance taking so long to pay up?

Insurers are as keen as everyone to see the rebuild process really get underway. A number of factors have delayed some insurance settlements. These include ongoing seismic activity, land zoning announcements, and land remediation assessment and plans. As insurers have more certainty around these issues, more progress can be made.

19. Why should there be a difference between the rebuild price and cash settlement?

If you have a total replacement policy, your insurer is responsible for paying for the like-for-like replacement of your home using current methods and materials, including the cost to upgrade to current compliance standards e.g. double-glazing.

If you choose to take a cash settlement, then your policy usually entitles you to payment of the value of your home immediately before the damage. This value is usually calculated by obtaining a valuation of your home (including valuing outbuildings, paths and driveways) by a registered professional property valuer. IAG will arrange and pay for this valuation.

Your cash settlement will usually be the valuation of your home and other structures (excluding the land), less any EQC payments received by or due to you for your home and other structures, EQC excesses, and the excess amount(s) under your policy with us.

20. Why is it taking so long to be told what your insurance payout is (repair or rebuild)? If we knew we could choose which option to take.

a. Why is it taking so long for insurance companies to settle?

Once your assessment has been completed, it takes approximately four to six weeks to check the figures to make sure they are correct, and then have the figures

independently verified. At this stage insurers and EQC also need to agree whether the claim is under or over the EQC's cap before making an offer. If there is a discrepancy, a joint assessment may be necessary.

21. Why do insurance premiums have to continue at the normal rate?

Many insurers are offering policy discounts if your home is considered a total loss. Speak to your insurer to see if you are eligible.

22. Why is information not transparent between client and insurance companies?

Your claims case manager should be able to give you all the information you need to know about your claim. If there is something you would like to know they are the best people to speak to.

23. Why are reports not released to clients?

Most insurance companies will share the full scope of works and costings with you at the time of offer. If this is not automatically sent to you, speak to your claims case manager.

24. Why do I have to pay for demolition?

If you have a home policy that has a specified sum insured amount, and you choose Crown Option 2, then all the costs associated with the demolition and rebuild of your new home are limited to that sum insured amount.

If you have a total replacement policy and your house is a total loss, then your insurer pays for demolition.