

# **Insurance – Our Earthquake Experience**

## Background

- ES was forced out of its premises at 12.51pm on Tuesday, 22/02/11.
- Skeleton staff operated from various homes for the next three days.
- Moved into alternative premises on Monday, 28/02/11.
- ES had limited access to its original building after the earthquake.

## Policies

- **Material Damage**

- Building – garage.
- Contents/plant.

Insured for reinstatement.

- **Business Interruption**

Our cover:

- Additional costs;
- Reinstatement of accounts and documents;
- Irrecoverable book debts.

Other cover available includes:

- Wages/salaries;
- Gross profits;
- Claims preparation costs.

## **Motor Vehicles**

- Normal Comprehensive cover.

# Useful Policies

- **Material Damage**

- Relatively straightforward policies.
- The process took time – over two years to obtain a full pay-out.
- An interim payment was made for 50% of the claim within 12 months.
- The balance of payment was made after costs were actually incurred in replacing plant and contents.
- We had no portable or field equipment over \$5,000 damaged or lost.

- **Additional Costs**

- Excellent policy – straightforward to interpret.
- Covered a wide range of additional costs.
- Twelve month indemnity period – started 22/02/11.

- **Claim Preparation Costs**

- Time consuming process.
- Covers cost of external consultants (e.g. QS) to compile claims.
- Arguably, able to claim QS expense under the Additional Costs cover.

## **Nil/Low Value Policies**

- **Reinstatement of Accounts & Documents**
  - Better to have computer-based systems and appropriate backup.
- **Irrecoverable Book Debts**
  - None of our debts were irrecoverable as a result of the disaster.

## Amount of Cover

- Most policies provide for the insured to get the lesser of:
  - The dollar amount specified in the renewal; or
  - As determined by the basis of cover – indemnity, replacement, agreed value etc.
- Know what type of cover you have for particular asset classes.
- Use your asset schedule as a basis for determining the quantum of cover.



- Aggregate the detailed information into broad categories where possible.
- Supply no more detail to the insurer than they require.
- Most insurance is relatively cheap – confirm the cost to aid decision making.
- If in doubt as to value, err on the high side.

## Lodging a Claim

- Use a competent broker to assess and obtain the most appropriate cover before the disaster.
- Broker's expertise also useful in working through the claims process.
- The Insurance Assessor is a key part of the claims process.
- Develop the best possible relationship with them.
- Their recommendation carries a lot of weight with the insurer.

- An experienced assessor can also provide valuable assistance in working through the claim.
- Know the rules – develop detailed knowledge of what your policy covers (although this is best done before cover is taken out).
- Challenge the assessor if you are uncomfortable with their interpretation.
- Make it easy for the insurer to make a decision in your favour.
- Make a tidy presentation. For example:
  - Material Damage Policy
  - Additional Costs (Business Interruption) Policy

## Changes to Cover post-EQ Cover

- Generally, premiums increased.
- The earthquake/natural disaster excess in the Canterbury region increased:
  - Pre-earthquake: 2.5% of the **loss** with a minimum of \$2,500.
  - Post-earthquake: 10.0% of **business assets site sum insured** with a minimum of \$50,000.

- Now 5% of **business assets site sum insured** with a minimum of \$2,500 – with a new insurer. Industry is competitive and cyclical.
- Initially, some additional paperwork/ certification required whenever we renewed or extended our cover, but now relatively minor.
- Some additional costs for tenants under building leases, e.g. 24 month loss of rental cover to be paid by the tenant – not required under our previous lease.

## Conclusion

- Understand your insurance needs.
- Determine what policies are available to meet those core needs.
- Use a competent broker who deals with reputable, financially sound insurers.
- Obtain the policies that are most appropriate to your needs **before the disaster occurs.**

## **Other (Acknowledgement)**

The Government contribution to wages in the few weeks following the disaster was extremely helpful to Canterbury businesses during a period of great uncertainty and low cashflow for many businesses.