

## 11 September 2015

AA Insurance Limited (AAIL) welcomes the opportunity to make a submission on Treasury's proposals for potential changes to the Earthquake Commission Act 1993 (the EQC Act).

AAIL supports the ICNZ submission relating to the review as far as it is relevant to the provision of cover for personal insurance over and above cover provided by the EQC Act.

In developing this submission, AAIL has reviewed the submissions of the Insurance Council of New Zealand (ICNZ) and AAIL's principal shareholder Vero Insurance New Zealand Limited, and incorporated elements of these submissions where AAIL is in agreement.

AAIL has placed specific emphasis on the impact of the EQC Act on domestic personal lines customers as well as the New Zealand public in general.

### About AAIL

AAIL is a direct personal lines insurer, which operates in New Zealand under a joint venture agreement between the Australian financial services group Suncorp and the New Zealand Automobile Association.

AAIL employs over 620 people and operates the AA Insurance brand in New Zealand. At present AAIL writes insurance policies to the value of approximately \$290m per annum across domestic vehicle, home and contents portfolios, and is currently the second largest provider in this market in New Zealand.

The Insurance (Prudential Supervision) Act 2010 requires licensed insurers to have a current financial strength rating that is given by an approved rating agency. AAIL has an A+ (Strong) Insurer Financial Strength Rating given by Standard and Poor.

### Canterbury earthquakes

AAIL has been heavily involved in the Canterbury recovery effort following the earthquakes of 2010 and 2011 and has paid out \$351.2m in claims to 30 June 2015, and has resolved 97% of the home insurance claims received.

### Response to the Earthquake Commission Act 1993 (EQC) review

AAIL has prepared its submission in line with the specific questions asked by the Treasury. Our response is outlined below.

## Proposal for discussion

1 That the purpose of the EQC Act be to establish a Crown-owned natural disaster insurance scheme for residential buildings in New Zealand that:

- ▶ supports, complements and is closely coordinated with the provision of effective private insurance services to the owners of residential buildings
- ▶ recognises the importance of housing in supporting the recovery of communities after a natural disaster
- ▶ supports improved resilience of New Zealand communities and an efficient approach to the overall management of natural hazard risk and recovery in New Zealand
- ▶ contributes to the effective management by the Crown of fiscal risks associated with natural disasters.

## What do you think?

### 1a Do you agree that these purposes are appropriate and complete?

AAIL largely agrees with the proposed legislative purpose outlined in the discussion document.

New Zealand is a seismically active country and is exposed to a number of potential natural disasters. Added to this, New Zealand has a high level of property ownership. Fortunately, New Zealand home insurance coverage is at about 98%, demonstrating that insurance cover is both accessible and available to most New Zealanders.

AAIL believes that to support these high levels of home insurance, cover must remain affordable and accessible. In the context of this discussion document, it is vital that EQC cover provides support to the home insurance cover AAIL provides.

AAIL's experience from Canterbury is that the interaction between EQC and insurers had a significant impact on our customers' experience and the time it takes to reinstate their homes and settle their claims. The current scheme introduces unnecessary complexity by providing its own cover terms and conditions and this creates a number of issues in reinstatement such as; multiple assessments; different rebuild standards; different priorities and methodologies.

Lessons learned from Canterbury illustrate the importance of removing or reducing frictional costs and duplication that occurred between EQC and insurers. The EQC scheme needs to be simpler and clearer to ensure a more efficient and effective post-disaster recovery for EQC and insurers, but most importantly for our customers.

We also agree with the Insurance Council of New Zealand's (ICNZ) submission on this point, which supports the proposed purposes.

**1b If not, what changes would you suggest, and why?**

AAIL strongly believes that emphasis must be placed on the needs of New Zealanders in the event of a natural disaster and that it is imperative for insurers and the EQC to work together to this end, ensuring a timely and effective response.

**What types of perils will EQC cover?**

**Proposal for discussion**

**2 That EQC continue to insure against the following perils: earthquake, natural landslip, volcanic eruption, hydrothermal activity, tsunami, and storm and flood (with, in the case of storm and flood, only residential land being covered).**

**2b If not, what changes would you suggest, and why?**

AAIL agrees with EQC continuing to cover the perils listed.

Further, AAIL agrees with ICNZ's submission on this point.

**What types of property will EQC insure?**

**Proposal for discussion**

**3 That EQC building cover continue to be available to residential buildings and dwellings in non-residential buildings.**

**What do you think?**

**3a Do you agree that EQC building cover should continue to only be available to residential buildings and dwellings in non-residential buildings?**

AAIL insures residential homes only so is unable to comment on this point.

**3b If not, what forms of accommodation or living arrangements do you think should be added or removed, and why?**

AAIL agrees with ICNZ's submission on this point and believes that clarity of this definition would simplify things for insurers and customers.

#### Proposal for discussion

**4 That EQC land cover only be available for land associated with residential buildings. Therefore, dwellings in non-residential buildings would not receive any EQC land cover.**

#### What do you think?

**4a Do you agree that EQC land cover should only be available for land associated with residential buildings?**

AAIL insures residential homes only so is unable to comment on this point.

**4b If not, what coverage of land cover would you prefer, and why?**

Not applicable.

#### Extending building cover to include more site works and main access way

#### Proposal for discussion

**5 That EQC building cover be extended to include site works and the main access to the building.**

#### What do you think?

**5a Do you agree that EQC building cover be extended to include site works and the main access to the building?**

AAIL disagrees with the proposal that EQC building cover be extended to include site works and the main access to the building. Insurance customers could be significantly exposed to the risk of being underinsured in the event of a natural disaster if this proposal were adopted.

With the move to a sum insured amount, being the most an insurer will spend to reinstate a customer's home, customers are responsible for estimating the appropriate amount of cover they need to rebuild their home.

Insuring appropriately for the potential costs of site works is extremely difficult as it will also depend on the nature and severity of the catastrophe event. The general homeowner cannot be expected to have expertise in building or rebuilding homes or quantifying building costs.

The various sum insured calculators provide an estimated amount to rebuild a home but they will not be able to provide information on site works. The need to carry out site assessments ahead of establishing a sum insured would in many instances rely on engaging experts and this would introduce significant cost and complexity for our customers. In addition to impacting affordability and leading to greater levels of underinsurance, it may deter people

from seeking the right type and level of insurance in the first place.

In addition to this risk of underinsurance, there is the issue of how insurers (and reinsurers) price for this kind of combined site works. In the absence of established models and statistical data, insurers and reinsurers would have to make assumptions erring on the high side, which could inevitably lead to higher home insurance premiums for customers.

Also, experience in Canterbury has shown that EQC's cap could be completely used up on complex site works. If that occurred, then the sum insured remaining for the rebuild of the home would not be sufficient. By including the site works in the EQC cap the risk of any shortfall, currently held by EQC, would fall on the homeowner. If there were extensive underinsurance, then this would pose a significant risk to the Crown, but more importantly to a large number of New Zealanders who would be left without the funds to repair or rebuild their homes.

Further, AAIL agrees with ICNZ's submission on this point.

**5b If not, what do you think should be done instead, and why?**

AAIL agrees with ICNZ's submission on this point.

**EQC to no longer provide contents insurance**

**Proposal for discussion**

**6 That EQC no longer offer residential contents insurance.**

**What do you think?**

**6a Do you agree that EQC should no longer offer residential contents insurance?**

AAIL agrees that EQC should no longer offer residential contents insurance. AAIL believes this will remove duplication between the insurer and EQC, as well as create a faster resolution of our customers' contents insurance claims. It will also be much easier for our customers who can deal directly with their insurer and receive entitlements directly from their insurer under the policy they purchased.

Further, AAIL agrees with ICNZ's submission on this point.

**6b If not, what level of contents cover do you think EQC should offer, and why?**

Not applicable.

**6c For insurers, what do you anticipate the impact would be on premiums your company charges for residential contents insurance, if EQC no longer offered residential contents insurance?**

**Please note the information in section 1.4 regarding the Official Information Act.**

There are a number of different factors that go into calculating our contents insurance premiums including: our customers' individual circumstances, their location, and the amount of contents they have to insure. This means that it's likely that any pricing impact for individual customers will vary and any indication of average price changes could be misleading.

### How much insurance will EQC offer?

#### Proposal for discussion

**7 That the monetary cap on EQC building cover be increased to \$200,000 + GST.**

#### What do you think?

**7a Do you agree with the proposed increase in the building cap to \$200,000 + GST?**

AAIL disagrees with the proposed increase in the building cap and supports ICNZ's submission on this point.

**7b If not, what cap would you prefer, and why?**

AAIL supports ICNZ's submission on this point.

**7c Do you have strong views on the merits of a \$150,000 + GST cap versus a \$200,000 + GST cap?**

AAIL supports ICNZ's submission on this point. Specifically we agree with ICNZ's proposed building cap of \$150,000. Landworks would have a natural cap of its own determined by the economic value of the land (see 5(a)).

**7d If so, what are they?**

AAIL supports ICNZ's submission on this point.

**7e For insurers, what do you anticipate the impact would be on premiums your company charges for residential property insurance, if the proposals in this document regarding changes to building cover were implemented? Please provide this information for a monetary cap for EQC building cover of both \$150,000 and \$200,000.**

**Please note the information in section 1.4 regarding the Official Information Act.**

There are a number of different factors that go into calculating our home insurance premiums including: our customers' individual circumstances, their location and details of their home, optional benefits, and reinsurance premiums. This means that it's likely that any pricing impact for individual customers will vary and any indication of average price changes could be misleading.

The following issues have a significant impact on the ability to predict any impact on insurance premiums at this stage:

- The site works/land works issue and changes to the EQC levy are not yet known.
- Any impact on reinsurance premiums as a result of these changes is not known.
- The Fire Services Levy is also under review.

## Reinstatement of EQC cover after an event

### Proposal for discussion

**8 That EQC building cover reinstate after each event.**

### What do you think?

**8a Do you agree that EQC cover should reinstate after each event? If not, what is your preferred alternative, and why?**

AAIL supports ICNZ's submission of an alternative option that EQC would pay the full costs of accumulating damage in each event until it reaches the cap, and not pay anything more until the repair was fully completed. This alternative approach is better aligned with the insurance industry, reduces the complexities of damage apportionment issues between insurers and EQC, and provides certainty to our customers.

**8b Do you agree with retaining the current definition of an event?**

AAIL supports the ICNZ's submission on this point.

**8c If not, what is your preferred definition, and why?**

Not applicable.

## EQC land cover

### Proposal for discussion

**9 That land cover be limited to situations where the insured land is a total loss meaning it is not practicable or cost-effective to rebuild on it.**

### What do you think?

**9a Do you agree that the proposed enhanced building cover, combined with restricting land cover to situations where the site of the insured building cannot be rebuilt on, would resolve, for future events, many of the recent difficulties with the interaction between land and building cover?**

AAIL disagrees with the proposal to restrict land cover and supports the ICNZ's submission on this point.

Any customers who suffer land damage and require site works to be carried out will still require land cover even though they fall short of a "total land loss" situation. For New Zealanders who have done everything to protect their home by insuring it, and ensuring they have the right level of insurance, it would be untenable to create a situation where they would be left with insufficient funds to be able to re-house themselves.

In regard to EQC cover for appurtenant structures, AAIL agrees that EQC should continue to provide this. In addition, further clarity of the definition of appurtenant structures, and the schedule of property that is not covered by EQC, is needed.

AAIL disagrees with the alternate view outlined in ICNZ's submission that appurtenant structures could be entirely excluded from EQC cover. Our experience from the Canterbury earthquakes has shown that the cover being structured in this way was appropriate. If appurtenant structures were not included in EQC cover, there would be an inconsistent result.

**9b If not, what is your preferred alternative, and why?**

See AAIL's response to question 9(a) above.

**9c Do you agree that restricting land cover to situations where the site of the insured building cannot be rebuilt on is appropriate, given the EQC scheme's focus on providing homeowners the resources to repair, rebuild or re-establish homes elsewhere?**

AAIL disagrees that land cover should be restricted to situations where our customers' home cannot be built on for the reasons outlined in 5(a) above.

AAIL believes that if the proposal to include site works within building works was adopted, it would negatively impact the EQC scheme's focus on providing homeowners with the resources to repair, rebuild or re-establish their homes. The added complexity and potential



additional costs for customers to estimate site works would likely have a negative impact on customers' ability to accurately insure their homes and to be able to rebuild in the event of a natural disaster.

Further, AAIL agrees with ICNZ's submission on this point. AAIL agrees that the focus of EQC's scheme should be on providing homeowners with the resources to repair, rebuild or re-establish their homes elsewhere.

It is important that homeowners understand how their land will be determined as unfit to be rebuilt on, largely because the reinstatement of their home is dependant on the land underneath. If the land is treated as a total loss but the home itself has little or no damage, our customer may be left unable to repair, rebuild or re-establish their home elsewhere.

From an economic standpoint, the total value of the property is the obvious measure of value being restored. If the combined costs of land works and building damage are less than the value of the property, then it is economically responsible for the work to be carried out. If the combined costs exceed the value of the property, the property should be deemed a total loss.

The level of funding for land or land works is for the Government to ultimately decide. If it restricts land cover to the value of the minimum lot size in the district plan, this will lead to three basic scenarios.

1. The land can be repaired for less than the value of the land. In this scenario, the homeowner is fully compensated.
2. The land cannot be repaired for less than the value of the land and the home is also badly damaged. A combination of funding from EQC and insurers will give the homeowner the necessary resources to move on.
3. The land cannot be repaired for less than the value of the land and the home has little or no damage to it. In this scenario, there is a gap between the value of the land and the cost to remediate it. This cost falls to the homeowner.

Scenario 3 occurs under the current legislation. To enable property owners to re-establish themselves elsewhere, the minimum fair value could be the most recent capital value.

The government should also consider providing EQC with the ability to pay up to the capital value of the property, less insurance proceeds for the damage to the home, with the minimum level of payment being the land value.

**9d If not, what is your preferred alternative, and why?**

See AAIL's response to question 9(c).

**9e Do you have any concerns regarding the proposed change to the configuration of building cover in light of the move by most insurers to provide sum insured home insurance policies?**

AAIL has serious concerns about the proposed change to the configuration of building cover to include site works. This option increases the risk of underinsurance for customers in a sum insured environment and for this reason, AAIL does not support this change.

AAIL believes that including site works within the building cover does not support the second proposed purpose of the legislation, being to recognise the importance of housing in supporting the recovery of communities after a natural disaster.

Further, AAIL supports ICNZ's submission on this point.

**9f If so, what is your preferred alternative, and why?**

Not applicable.

### **Better aligning EQC and private insurers' standard of repair**

#### **Proposal for discussion**

**10 That EQC's current statutory repair obligation already appears broadly consistent with industry practice.**

#### **What do you think?**

**10a Do you agree with the Government's assessment that EQC's legislated standard of repair is broadly consistent with current industry norms?**

AAIL agrees that EQC's definition of replacement value as "any costs which would be reasonably incurred in respect of ... replacing or reinstating the building to a condition substantially the same as but not better or more extensive than its condition when new, modified as necessary to comply with any applicable laws" broadly aligns with our home insurance cover.

However, where EQC reinstates, EQC's obligation is subject to the qualification that it "is not bound to replace or reinstate exactly or completely, but only as circumstances permit and in a reasonably sufficient manner". AAIL does not include this type of qualification in its home insurance policy.

Our experience in Canterbury has shown that most disputes arose because of differences around the value of the repair, whether repairs were under or over cap and the scope of works. Greater alignment between the EQC Act's wordings and the cover insurers provide would create more certainty for our customers, minimise disputes, and contribute to a more efficient and effective recovery.

Further, AAIL supports ICNZ's submission on this point.

**10b If so, do you have views on why EQC's standard of repair is seen as markedly different from current insurance industry norms?**

AAIL supports ICNZ's submission on this point.

**10c If not, do you have suggestions for reforms that you consider would move the EQC standard of repair closer to current insurance industry norms for residential property?**

AAIL supports ICNZ's submission on this point.

### **Simplifying EQC's claims excess**

#### **Proposal for discussion**

**11 That EQC has a standard claims excess of \$2,000 + GST per building claim.**

#### **What do you think?**

**11a Do you agree that EQC's building claims excesses should be standardised and simplified to a flat dollar amount?**

AAIL agrees that EQC's building claims excesses should be standardised and simplified to a flat dollar amount. This would reduce low-level claims and increase the efficient management of claims above \$2,000.

**11b If yes, do you agree that \$2,000 + GST is the appropriate claims excess on building claims?**

AAIL agrees \$2,000 + GST is the appropriate claims excess on building claims.

Further, AAIL supports ICNZ's submission on this point.

**11c If not, what would you prefer, and why?**

Not applicable.

#### **Proposal for discussion**

**12 That EQC have no claims excess on land claims.**

### What do you think?

#### **12a Do you agree that EQC should have no claims excess on land claims?**

If building cover remained separate to any site works, AAIL would be open to an excess being charged to site works cover. The primary purpose of the EQC scheme is to enable people to be rehoused after a disaster and this would minimise the number of smaller repairs required. It would be important that the excess was not set at such a level that the combination of an excess applied to land remediation, as well as building cover, and the home insurance policy does not cause affordability issues for our customers following a natural disaster.

Further, AAIL supports ICNZ's submission on this point.

#### **12b If not, what would you prefer, and why?**

AAIL supports ICNZ's submission on this point.

### Regularly reviewing main monetary settings of cover

#### Proposal for discussion

**13 That the EQC Act require monetary caps, premium rates and claims excesses on EQC cover to be reviewed at least once every five years.**

### What do you think?

#### **13a Do you agree that monetary caps, premium rates and claims excesses on EQC cover should be reviewed at least once every five years?**

AAIL agrees with the proposal that monetary caps, premium rates and claims excesses on EQC cover should be reviewed once every five years. However, changing systems, processes, policy terms and wordings is time consuming and expensive, so AAIL propose that changes should only be made when they are material and based on sufficient need.

Further, AAIL agrees with ICNZ's submission on this point. It is important to note that insurers will need minimum implementation periods for any changes arising from these reviews to make any resulting policy wording, pricing or process changes. Insurance policies are annual contracts and so when changes to wordings or prices are required due to legislative changes, depending on the timing of a customer's policy inception date, there is a period of up to 12 months for a customer to be able to be moved onto a new policy or any new pricing terms and conditions. AAIL also believes that it is essential insurers are involved with any review.

**13b If not, what alternative would you prefer, and why?**

Not applicable.

**How will homeowners access EQC insurance cover?**

**Proposal for discussion**

**That EQC cover continues to automatically attach to fire insurance policies on residential buildings, as defined in the EQC Act; or**

**That EQC cover automatically attach to insurance policies on residential buildings, as defined in the EQC Act, on a peril by peril basis; so if a peril covered by EQC is excluded from the private policy, it is also excluded from the EQC cover.**

**What do you think?**

**14a Do you agree that EQC cover should continue to automatically attach to fire insurance policies on residential buildings?**

AAIL agrees that EQC cover should continue to automatically attach to fire insurance policies on residential buildings.

Further, AAIL supports ICNZ's submission on this point.

**15a do you agree that EQC cover should automatically attach to insurance policies on residential buildings, and EQC cover should exclude any natural disaster peril that is excluded from the fire insurance policy it attaches to?**

AAIL supports ICNZ's submission in relation to this issue. EQC cover should not exclude any natural disaster peril that is excluded from a private insurance policy. EQC cover should be available to all. In addition, if EQC cover could be excluded from policies this could provide opportunities for customers to avoid paying the EQC levy by requesting natural disaster perils be excluded from policies. In addition, multi-tier type cover arrangements could be introduced to avoid paying EQC levies.

**15b If you do not agree with either of these options, what alternative arrangement do you prefer, and why?**

AAIL supports ICNZ's submission on this point.

### Proposal for discussion

**16 That EQC continue to have the ability, but not the obligation, to directly provide EQC cover to homeowners who request it.**

### What do you think?

**16a Do you agree that EQC should continue to be able, but not be obliged, to directly provide EQC cover to homeowners who request it?**

AAIL agrees that EQC should be able to, but not obliged to, provide EQC cover directly to homeowners who request it. In instances where individuals are unable to obtain insurance cover, AAIL would support EQC having the discretion to provide cover.

Further, AAIL supports ICNZ's submission on this point.

**16b If not, what alternative arrangement would you prefer, and why?**

Not applicable.

### Who will handle EQC claims in future?

### Proposal for discussion

**17 That all EQC claims be lodged with claimants' private insurers.**

### What do you think?

**17a Do you agree that EQC claimants should be required to lodge all EQC claims with claimants' private insurers?**

AAIL strongly agrees that EQC claimants should be required to lodge all EQC claims with their insurer. Further to this, AAIL believes equally strongly that the legislation should ensure a claims management model that creates certainty for New Zealanders, insurers and EQC.

AAIL supports a legislative framework that requires insurers to be the first and ongoing point of contact for our customers in the event of a natural disaster and to be responsible for the assessment and management of both under and over cap claims to the point of settlement or reinstatement. Providing this one point of contact for customers would simplify the claims process, remove confusion and minimise stress for customers, and go some way towards creating a more efficient recovery process.

If this was done in conjunction with EQC, in line with insurers' cover, the vast majority of problems that arose around assessment and differences between EQC and home insurance

cover in Canterbury would be removed. This in turn would reduce the number of disputes raised by disagreements over scopes of work, repair methodology and ultimately quantum.

### Benefits of insurers lodging and managing customer claims

AAIL's purpose is to eliminate stress and provide certainty for our customers. This is a key part of our claims management process and what we strive for, for each and every customer in each and every claim they make.

It is important to AAIL that we deliver on our promises to customers and can continue to grow as an organisation. Like all insurers, AAIL has ongoing relationships with customers and is focused on retaining them. AAIL manages large numbers of claims on daily basis and believe this provides significant benefits to insurers managing the claims process and acting as the first point of contact for customers in the event of a natural disaster.

In detail, the benefits for customers would include:

- Simple process for lodging claims – An insurer would be able to confirm cover straight away when claims are lodged. All customer and damage details could be captured once and customers would have a good understanding of the next steps to resolve their claim and who would be responsible for this.
- Assessment of damage or loss - This should occur as soon as possible after lodgement and if insurers were responsible for this, it would avoid dual assessments and also ensure that insurers identify all over cap claims much earlier. Customers could also continue to deal directly with one point of contact, their insurer.
- Claims fulfilment – AAIL, along with most other insurers, has relationships with suppliers throughout New Zealand for contents items that need to be repaired or replaced. AAIL also has suppliers that provide building related services such as; engineers, building contractors, quantity surveyors, architects and project managers. These contacts can be fully utilised to streamline the claims process for customers.

AAIL's claims management function is supported by a broader infrastructure that is scalable in future recovery efforts. This infrastructure includes IT systems, telephony, payroll, recruitment processes, procurement, supply chain management, reinsurance management, claims reporting, finance and corporate affairs. Most other domestic insurers have similar infrastructure in place and would be more capable of dealing with a recovery situation instead of placing reliance solely on EQC.

While the scale of the Canterbury disaster tested resources for all insurers, including ourselves, business-as-usual for AAIL involves having numerous staff throughout the country, as well as significant overseas resources through our shareholder Suncorp that AAIL can tap into. In addition to the over 600 staff AAIL has in New Zealand, Suncorp has over 2,000 claims staff in Australia who can be called on to support AAIL in the case of a major event. AAIL use the same claims systems and processes in New Zealand as in Australia, giving AAIL the ability to effectively manage significant numbers of claims for AAIL customers where necessary, without the need to scale up our own staff and resources following a natural disaster event.

Requiring insurers to manage all under and over cap claims from claims lodgement through to claims settlement would have the following benefits:

- Simplification of the claims management process for New Zealanders in the event of a natural disaster, reducing confusion and negative economic and social outcomes
- Faster recovery times for insured customers and the affected region, leading to substantially improved economic and social outcomes
- Redistributes pressure on EQC to a number of different insurers
- Reduces demand on expert resources such as loss adjustors and engineers
- Allows Government to focus resources on restoring critical infrastructure
- Improve customer experience, simplifying the process and providing more certainty
- Avoid negative public disputes and sentiment around 'cap' status
- Mitigate the level of litigation experienced in the Canterbury earthquakes
- Provide confidence in capital markets such as reinsurers as it enables better prediction of risk and Ultimate Losses following major disasters
- Create a more competitive landscape around claims management practices and outcomes as insurers look to differentiate themselves on service, quality and products.

It is in all insurers' interest to manage customer claims proactively, quickly and efficiently to ensure retention of customer base and protect the reputation of the insurance industry.

The case for change is too compelling for the status quo around claims management to continue.

Further, AAIL supports the ICNZ's submission on this point.

### **17b If not, what alternative arrangement would you prefer, and why?**

AAIL recommends legislation that sets out guiding principles on the role of insurers and the EQC following a natural disaster, with the system to be enacted through regulation.

AAIL believes that New Zealanders will be seeking certainty from any legislative change with a focus on reducing confusion and inefficiency in the event of further natural disasters.

## **Deadline for reporting claims**

### **Proposal for discussion**

**18 That the current three-month time limit for claims notification be retained, but EQC be able to accept claims up to two years after an event, unless doing so would prejudice EQC.**



### What do you think?

**18a Do you agree that the current three-month time limit for claims notification should be retained, but EQC should be able to accept claims up to two years after an event, unless doing so would prejudice EQC?**

AAIL supports the current three-month time limit for claims notification and discretion for EQC to accept claims up to two years after an event (where there is no prejudice to EQC in doing so).

Further, AAIL supports ICNZ's submission on this point.

**18b If not, what alternative arrangements would you prefer, and why?**

Not applicable.

### Ensuring the scheme meets its expected costs

#### Proposal for discussion

**19 That the new EQC Act contain pricing and transparency principles requiring the scheme to adequately compensate the Crown for its expected costs and risks.**

### What do you think?

**19a Do you agree that the new EQC Act should contain pricing and transparency principles requiring the scheme to adequately compensate the Crown for its expected costs and risks?**

AAIL agrees that the new EQC Act should contain pricing and transparency principles requiring the scheme to adequately compensate the Crown for its expected costs and risks.

Further, AAIL supports ICNZ's submission on this point.

**19b If not, what alternative arrangements would you prefer, to ensure the scheme's future financial sustainability, and why?**

Not applicable.

## Allow but do not require differentiated EQC premiums

### Proposal for discussion

**20 That the current legislative flexibility to charge flat-rate or differentiated EQC premiums be retained.**

### What do you think?

**20a Do you agree that the current flexibility to charge flat-rate or differentiated EQC premiums should be retained?**

AAIL agrees that the current flexibility to charge flat-rate or differentiated EQC premiums should be retained. A simple pricing structure makes it easier to explain to our customers and to support this in our systems and processes.

Further, AAIL supports ICNZ's submission on this point.

**20b If not, what alternative arrangement would you prefer, and why?**

Not applicable.

**20c Do you agree with the Government's intention to continue charging EQC premiums at a universal flat rate?**

AAIL supports ICNZ's submission on this point.

## How will EQC finance its risk?

### Proposal for discussion

**21 That the Natural Disaster Fund be retained in broadly its current legislative form.**

### What do you think?

**21a Do you agree that the Natural Disaster Fund should be retained in broadly its current legislative form?**

AAIL supports ICNZ's submission on this point.

**21b If not, what changes would you like to see considered?**

AAIL supports ICNZ's submission on this point.

### Proposal for discussion

**22 That the Act enable EQC to use other forms of risk transfer, in addition to traditional reinsurance.**

### What do you think?

**22a Do you agree that the Act should enable EQC to use other forms of risk transfer, in addition to traditional reinsurance?**

AAIL supports ICNZ's submission on this point.

### Do you have any other feedback?

### Other feedback

**23a Are there any issues not discussed in this document that you would like to bring to the Government's attention at this stage?**

AAIL supports ICNZ's submission on this point and, in particular, the issues raised under the subject of 'Technical Issues' on page 45 of the discussion document.

**23b What submissions would you like to make on those issues?**

AAIL refers to ICNZ's submission on this point.