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
  o Relatively straightforward policies.
  o The process took time – over two years to obtain a full pay-out.
  o An interim payment was made for 50% of the claim within 12 months.
  o The balance of payment was made after costs were actually incurred in replacing plant and contents.
  o We had no portable or field equipment over $5,000 damaged or lost.
• Additional Costs
  o Excellent policy – straightforward to interpret.
  o Covered a wide range of additional costs.
  o Twelve month indemnity period – started 22/02/11.

• Claim Preparation Costs
  o Time consuming process.
  o Covers cost of external consultants (e.g. QS) to compile claims.
  o Arguably, able to claim QS expense under the Additional Costs cover.
Nil/Low Value Policies

• **Reinstatement of Accounts & Documents**
  o Better to have computer-based systems and appropriate backup.

• **Irrecoverable Book Debts**
  o 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:
  o The dollar amount specified in the renewal; or
  o 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:
  o Material Damage Policy
  o 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.