

AUGUST 2019

INFORMATION FOR OWNERS OF ON-SOLD OVER-CAP PROPERTIES

If you've bought a home in Canterbury and discovered that it is damaged over the EQC cap, you may be eligible for an ex gratia payment to cover the cost of repair.

Background

Some Canterbury homeowners who purchased a property with unresolved earthquake damage have found themselves in damaged houses with repair or rebuild costs not covered by the EQC Act or their private insurance policy.

On 15 August 2019 the Government announced a policy to enable owners of on-sold properties to claim the cost of repairs of their properties without needing to go through a costly and lengthy court process. Under the policy, homeowners have twelve months to register their claim. EQC will administer the scheme on behalf of the Government.

The policy means that if you qualify you may be able to receive an ex-gratia payment equal to the agreed cost of repair.

Do I qualify for the support package?

You may be eligible to receive the payment under the support package if you meet all of the following:

1. You have purchased a property in Canterbury after 4 September 2010 (the date of the first 7.1 magnitude Canterbury earthquake) and on or before the announcement of this support package on 15 August 2019; and
2. Before selling the property the previous owner settled a claim with EQC on an under-cap basis; and EQC cover depends on how the natural disaster damage occurred.
3. Post-sale you have discovered the property has incomplete or insufficient repairs either as a result of defective repair or through damage which had not been properly assessed; and
4. The cost of the repair, together with the amounts previously paid by EQC for the property is more than the EQC cap (\$100,000 +GST); and

5. You are unable to access private insurance to cover the cost of repairs.

You must have also registered a claim for the ex gratia payment with EQC by no later than 14 August 2020.

What is payable under the policy?

Where the eligibility criteria are met, payment will be based on a scope of works that takes into account:

- the work required to repair the natural disaster damage in accordance with the EQC Act and the Private Insurance Policy in place for the property at the time of the event, and
- any other reasonable cost of that repair work.

We may have settled the original homeowner's claim by a managed repair (where we undertook the entire repair process), cash payment (where the homeowner receives a cash payment and manages the repair themselves), or a combination of the two.

If a previous homeowner received a cash payment for some or all of the repairs, and those repairs need addressing, you will need to find out who did the work, and what warranties are in place. You can read about warranties on the Ministry of Business, Innovation and Employment's building website, at www.building.govt.nz/getting-started/your-rights-and-obligations/building-owner-rights-and-obligations/

If you find that the repairs have not been carried out, you may need to find out more from the person you bought the home from, and the real estate agent you used to buy the property.

It's important that any payment you receive is used for repairing or replacing damaged property. Any future insurance claims or cover may be affected if the payment is not used for this purpose.

Has the EQC claim been assigned to you?

For the benefit of an EQC claim to be paid to you, the right to the claim needs to be transferred to you. This process is called 'assignment'.

You can read more about transferring a claim on our website.

www.eqc.govt.nz/canterbury-earthquakes/claims-assessment/transferring-property-claim

How do I have my claim reviewed?

You can ask us to review the EQC claim where you have reason to believe that:

- our previous settlement did not include all earthquake damage
- our repair work or repair strategy has not or will not repair the earthquake damage to the standard required by the EQC Act
- our previous cash payment was not or is not sufficient to meet the reasonable costs of undertaking the repair strategy.

If we need to amend the claim settlement through this process, we will carry out a review of the EQC entitlement per event.

If it is found you are eligible for the new Government policy through the review, then an offer of an ex gratia payment can be made to you by EQC.

Due Diligence

Whether you are buying or selling a home, it is important to consider the due diligence process.

If you are buying, you should ask the vendor about previous natural disaster damage and repairs, and obtain an independent prepurchase building inspection report, as part of your due diligence.

It's important to understand that any information about your property that you obtain from EQC is not intended to provide you (as a potential purchaser of the property) with comprehensive information about the damage or the repairs undertaken to the property. Information from EQC will not replace a pre-purchase building inspection and other due diligence.

EQC inspections are for the purpose of assessing potential insurance claims and these assessments cannot be relied upon to certify a property as being "sound". You should seek independent advice before you purchase a property.

It is a homeowner's responsibility to make claims under the EQC Act, rather than for EQC to identify damage that should be covered under any claim.

Please note that not all problems are due to natural disasters — a house can have problems due to its design or maintenance, and houses suffer from wear and tear over time.

You can read about getting help to assess risks in an area affected by earthquakes, floods or other natural disasters when buying a house, on the Consumer Protection website. www.consumerprotection.govt.nz/help-product-service/buying-or-renting-a-house/buying-after-natural-disasters/

Who else can help?

- Greater Christchurch Claims Resolution Service (GCCRS) provides free, impartial claim advice and coordination. Call GCCRS on 0508 624 327, visit their office at Level 2, 145-161 Cashel Street, Christchurch or read more at www.gccrs.govt.nz
- Canterbury Support Line provides support for a range of social and wellbeing issues, including access to support and information for dealing with earthquake-related matters. Call the Support Line on 0800 777 846, open 24 hours every day, for free and confidential information.