

# SHOCK ABSORBERS

*In light of the Christchurch quake you might want to revisit your insurance cover, says Finance Editor **Susanna Stuart***



The response to the Canterbury earthquake has been swift and well-organised. Locals have shown incredible community spirit, and organisations such as the Earthquake Commission (EQC) have proven themselves up to the task. Even so, the financial shock is only just hitting home for many families.

Christchurch was a wake-up call for a lot of us, that's for sure. Part of my job as an adviser is to help people plan for worst-case situations, and generally I place property insurance high up on the list. After the quake I reviewed my own cover and was alarmed at how outdated my own policy had become. If an earthquake had struck my home I would have been covered for only \$100,000. How long ago had I reviewed this?

As Canterbury residents have found, there are two big advantages to having full home and contents insurance.

The first advantage is the cover itself: The amount you are insured for. There are four main types of property-related insurance.

Full replacement insurance is the most popular. This will replace your house irrespective of the cost. (Older houses where the wiring or plumbing have not been upgraded may not be eligible for this type of cover from some companies.)

Sum-insured replacement cover is a potentially cheaper

option and will replace your house up to a specific dollar amount as set out in the policy. Review this amount regularly.

Indemnity (or market value) cover will provide cover up to the current sale value of your house. This sort of cover is generally cheaper as you're not paying for the cost of a new replacement. For most people, this will provide less than the cost of rebuilding, so a full claim on this kind of insurance usually means you have to sell the section and buy elsewhere.

Contents insurance usually offers replacement cover for things such as furniture and carpet, while providing indemnity cover for other items – the TV set for example – by valuing the item immediately before a loss occurs, taking into account wear and tear and depreciation. In my house most items are at least 10 years old, so the market value would be minimal.

Another advantage of home and contents insurance is that every policy holder pays a levy to the EQC so they receive cover against earthquakes, natural landslips, volcanic eruptions, hydrothermal activity, tsunamis, and fires resulting from these natural disasters. Your residential land is also covered by EQC against storm and flood damage.

We share each other's risk in this country. I applaud the banks in Canterbury for showing they will be as

accommodating as possible by offering deferrals of home loan repayments, temporary overdrafts and no break fees on term deposits. Even the IRD has tax relief measures in place for Canterbury taxpayers.

## BE PREPARED

- Check your insurance policies and review the type of cover, and make sure it's appropriate to your property.
- Work out a disaster plan for your family.
- If you are self-employed consider how a disaster might affect your income stream.
- If you run a business, consider 'business interruption insurance' to cover loss of revenue after a disaster.
- Update your will.
- Build an emergency fund – cash reserves to tide you over for 2-3 months.
- Scan important documents or keep them in a safe deposit box.

## HAVE YOU HEARD?

### HELPLINES FOR CANTERBURY READERS

- Earthquake Commission. In the first instance go to [www.eqc.govt.nz](http://www.eqc.govt.nz). Or phone 0800 326 243 for your insurance claims.
- Earthquake government helpline. Call 0800 779 997 to find out about income support, housing options, health issues, community assistance, civil defence or any other government service.

### DEDICATED WEBSITES FOR CANTERBURY RESIDENTS

- For updates on everything from welfare centres to bus services, see [www.canterburyearthquake.org.nz](http://www.canterburyearthquake.org.nz) and [www.ecan.govt.nz](http://www.ecan.govt.nz).
- Christchurch City Council: [www.ccc.govt.nz](http://www.ccc.govt.nz).
- Business recovery. Visit [www.recovercanterbury.co.nz](http://www.recovercanterbury.co.nz).
- Tax assistance. To find out about remission of late payments or returns and faster processing of tax refunds for quake victims, see [www.ird.govt.nz](http://www.ird.govt.nz) or phone the IRD Disaster Response line on 0800 473 566.
- For freephone numbers of insurance companies visit the Insurance Council at [www.icnz.org.nz](http://www.icnz.org.nz).