

Increased Liquefaction Vulnerability (ILV) land damage repair cost settlements

Fact sheet – June 2017

What are the different ways in which EQC will settle ILV land damage claims?

When EQC cash settles ILV land damage on a property, it assesses the loss in one of two ways - either:

- solely on the basis of Diminution of Value (**DOV settlement**); or
- on a combination of:
 - the amount it would cost to repair the ILV damage to the land area sufficient to provide a building platform for the house (the repair cost); and
 - any reduction in market value (or DOV) of the rest of the insured land as a result of ILV land damage.

For simplicity, we call this combined repair cost and DOV settlement a **repair cost settlement**.

This fact sheet focuses on ILV repair cost settlements. For more information on ILV DOV settlements, visit EQC website at www.eqc.govt.nz/ILV

When is EQC using repair cost settlements (as opposed to DOV settlements) for ILV land damage claims?

EQC is using a repair cost settlement where EQC is satisfied that, in accordance with its ILV Policy, the following criteria are met:

- your property has not been sold since the 2010-2011 Canterbury earthquakes;
- there is a repair methodology for the repair of the ILV land damage on the property;
- you intend to undertake the repair of the ILV land damage using the repair methodology within a reasonable period of time; and
- the repair cost is not disproportionate to the DOV of the property, determined on a case by case basis.

What is the difference between an ILV repair cost settlement and an ILV DOV settlement?

We summarise the comparison as follows:

- **What you have to do with the cash settlement amount** – If you are settled on the basis of repair cost, EQC will expect that you use your settlement payment to complete a repair of the ILV land damage. Your future entitlement to EQC cover may be affected if your settlement payment based on repair cost is not used for this purpose.

On the other hand, if you are settled on the basis of DOV, there is no requirement to use the settlement payment to mitigate the effects of any future liquefaction. Your future EQC cover for the property will not be affected.

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- **Settlement amount** – For both types of settlement, the amount will depend on the specific characteristics of the property and the ILV land damage. Each property is different and is assessed on a case by case basis, so no customer’s settlement amount is indicative of another’s. Generally, the amount of a DOV settlement will be less than the amount of a repair cost settlement.

For both types of settlement, EQC will deduct an excess. If the total amount of your land claim for a specific event is \$5,000 or less, EQC will deduct a minimum excess of \$500. If the claim is greater than \$5,000, EQC will deduct an excess of 10% up to a maximum of \$5,000 per claim.

Timing –EQC will not pay a repair cost settlement amount until it is satisfied that the ILV land damage repair will actually be carried out. So timing will depend on a customer meeting that requirement by providing the relevant information.

What are the available ILV land damage repair methods?

Where it is necessary to remove or rebuild a house because of the extent of the earthquake damage to the house, there are a number of established ground improvement methods that can be used to repair the ILV land damage. These include, but are not limited to:

- shallow stone columns;
- driven timber poles;
- reinforced soil-cement raft; and
- reinforced gravel raft.

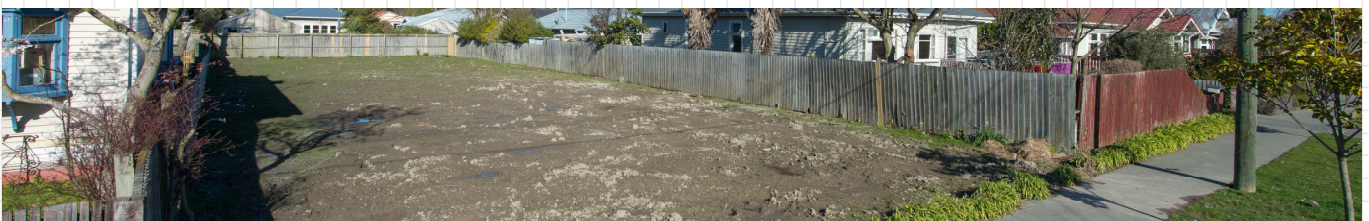
These methods are set out in Part C, section 15.3.10 and Appendix C4 of the Ministry of Business, Innovation and Employment (MBIE) guidance document “Repairing and rebuilding houses affected by the Canterbury earthquakes”. The document can be found on the MBIE website at www.building.govt.nz

However, the ground improvement methods, which are available where the house is rebuilt or removed, are not available where the house remains in place. The only available ground repair method that may be feasible where the house remains in place:

- is new and experimental;
- cannot be applied to most properties; and
- presents many practical challenges.

For these reasons, where the house that was on the property before the 2010-2011 earthquakes, remains in place, EQC is settling on the basis of DOV rather than on the repair cost.

More information on the ground improvement methods can also be found on EQC website at www.eqc.govt.nz/GIP



What are the benefits of repairing ILV land damage on my property?

The repair of the ILV land damage can return the liquefaction performance of the land back to at least the level it was at before the 2010-2011 Canterbury earthquakes.

Also MBIE guidance ground improvement methods may enable the use of TC2 foundations as an alternative to TC3 surface structure foundations. Use of MBIE guidance ground improvement methods improves the performance of the land, reducing the likely need for re-levelling in a future earthquake.

A geotechnical site specific assessment should be undertaken by an engineer to determine the most appropriate and cost effective ground improvement method for your property.

How does EQC identify that there is a ground improvement method available for the ILV land damage on my property?

If EQC has contacted you regarding a possible repair cost settlement, then EQC's engineers, Tonkin + Taylor, will have already carried out a preliminary desktop assessment of your property. This is to determine if there may be an available ground improvement method to address the ILV land damage on your property.

It will then be up to you to appoint your own professional advisor (for example, an architect, engineer or licensed building practitioner) as a first step in identifying a suitable ground improvement method for ILV land damage on your property.



How much is the repair cost settlement amount?

The amount is:

- the amount it would cost to repair the ILV damage to the land area sufficient to provide a building platform for the house (the repair cost); plus
- the reduction in market value (if any) of the rest of the insured land as a result of ILV land damage.

The amount paid for a land claim (including ILV and any other forms of land damage) for any earthquake event cannot be greater than the land cap which is set out at section 19 of the Earthquake Commission Act 1993. The EQC land cap is generally the value of the area of damaged insured land or the value of a parcel of land that is the minimum lot size under the relevant District Plan, whichever is smaller.

An excess is deducted from a settlement amount for the land claim for each earthquake event.



What would be the process if I wanted to repair my ILV land damage and be settled on the basis of repair cost?

The process is set out in the diagram on the last page.

Before making a repair cost settlement, EQC would generally need to see a signed contract entered into by you and a professional advisor for carrying out ILV land damage repair works. This document would show that you intend to undertake the repair of the ILV land damage using an established ground improvement method and do so within a reasonable period of time.



What if I am not ready to consider my ILV land damage repair?

If you later decide to proceed with an ILV land damage repair, you can then approach EQC to see whether a revised settlement on a repair cost basis is available.

Where can I find a professional advisor to help me identify a suitable ground improvement method for the ILV land damage on my property?

Registers of qualified architects, engineers and licensed building practitioners can be found at:

- New Zealand Institute of Architects website at www.architecturenz.net
- Institute of Professional Engineer's website at www.ipenz.nz and
- Ministry of Business, Innovation and Employment's website at www.lbp.govt.nz/lbp



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What is the situation if my property has been sold since the 2010-2011 Canterbury earthquakes or if I intend selling it?

If no ILV land damage repair is carried out before the sale, settlement will be solely on the basis of DOV (and not repair cost).

This reflects the fact that where the property has been sold, the original claimant will not later carry out the ILV land damage repair.

This approach for sold properties follows the December 2014 Declaratory Judgment on the settlement approach used for Increased Flooding Vulnerability (IFV) land damage.

What is the situation if my house has already been removed or rebuilt?

If your house was removed or rebuilt and at the same time the land underneath was repaired, then you should let us know by contacting EQC (see our contact details at the bottom of this page). You may be eligible for compensation for the repair work already carried out on the land.

If no ILV land damage repair was done when the house was removed or rebuilt, then you will be settled on the basis of DOV.

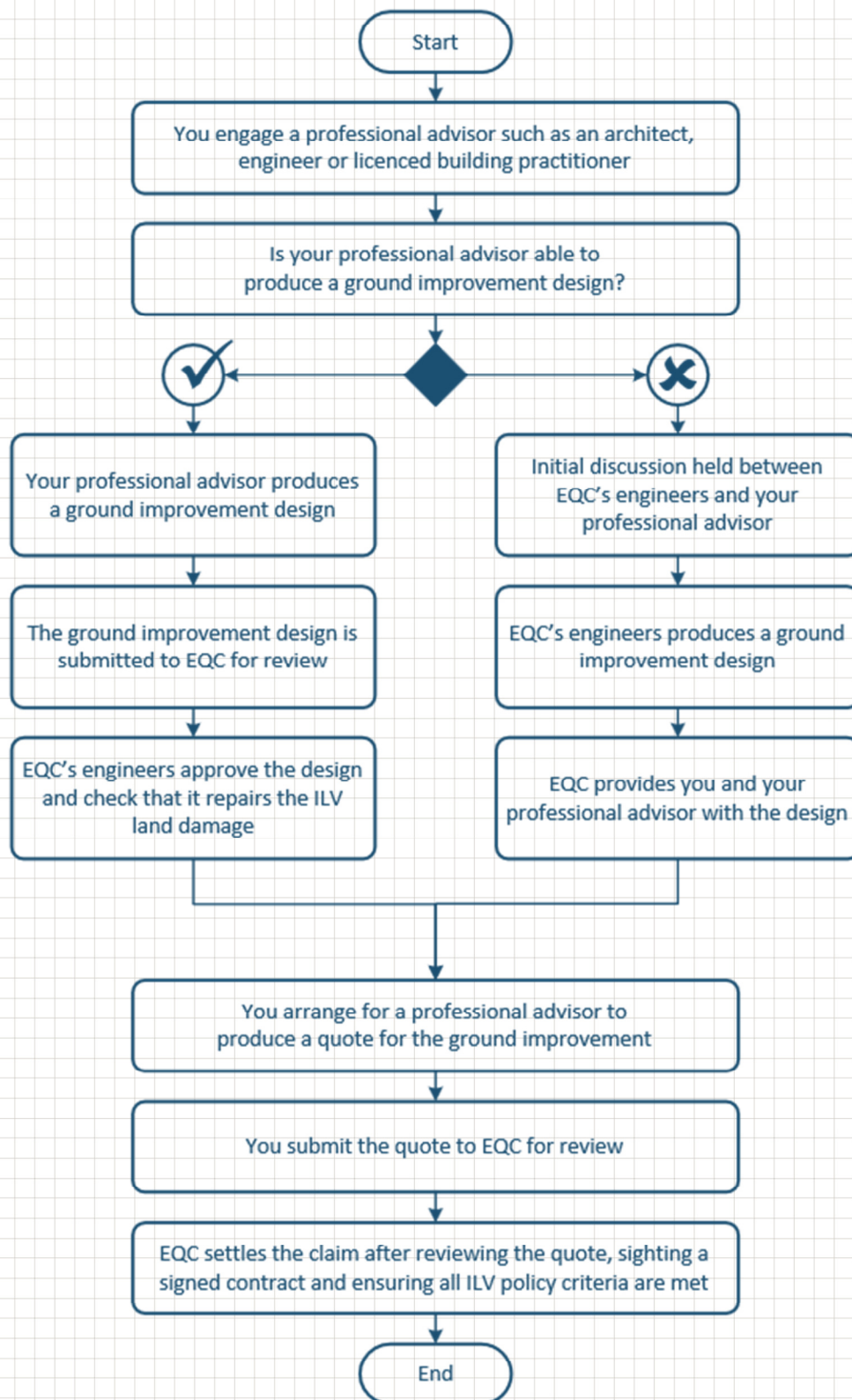
What if I intend assigning my land claim to my private insurer?

If you enter into a valid Deed of Assignment of the land claim to your private insurer, EQC will settle the claim with the private insurer in accordance with that assignment.

Before assigning your land claim to your private insurer, you should seek independent legal advice about the effect of taking such a step.



Process for customers wanting to repair their ILV land damage



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