

Extract from the Options Paper



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HIKINA WHAKATUTUKI

Options paper

Conduct of Financial Institutions

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101. It appears that systematic underpayment has occurred following the Christchurch earthquakes. For instance, one independent claims management company provided MBIE with data from 181 claims that it helped to manage following the Christchurch earthquakes. Across the 181 claims the average value of the claim (as assessed by the insurer) when the customer approached the claims management company was \$294,503. Following the intervention of the claims management company the average value of the final settlement was \$727,056. This is an average increase of \$432,553 per claim and comes to a total increase of \$78,292,148 for these 181 claims. The claims management company that provided the data only took on relatively high value claims that it considered to have a good case for an increase in the settlement amount but this does not take away from the point that these 181 cases suggest a systematic under-scoping of repairs and/or attempted underpayment.