



# **NHCover Insurers' Guide**

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## About this guide

### Terminology

GST: All dollar amounts in this guide exclude GST (except for Appendix A: NHCover claims and excesses). GST must be added to the GST-exclusive amounts.

### Purpose

This guide provides a summary of what is insured under the [Natural Hazards Insurance Act 2023 \(NHI Act\)](#), and how to calculate the Natural Hazards Insurance (NHI) levy that must be paid to the Natural Hazards Commission Toka Tū Ake (NHC).

### Who is this guide for?

This guide is for NHC and anyone who may provide fire insurance for an eligible building (see [section 7 of the NHI Act](#)), or is legally required to pay an NHI levy to us. This includes:

- where the insurer is based in New Zealand, the insurer, or
- where the insurer is based overseas,<sup>1</sup> the insurer, their intermediary, and/or the insured person.

### Updates to this guide

This guide was updated to reflect the commencement of the Natural Hazards Insurance Act 2023, which replaced the Earthquake Commission Act 1993 ('EQC Act') from 1 July 2024.

### NHI Act interpretation

We are required to act in accordance with the provisions of the NHI Act. In the case of any conflict between the information in this guide and the provisions of the NHI Act, the provisions of the NHI Act will prevail.

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<sup>1</sup> Under [section 121 of the NHI Act](#), 'overseas insurer' means they are not a licensed insurer and do not carry on insurance (or any other) business in New Zealand.



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## Natural Hazards Insurance Act 2023

The NHI Act is effective from 1 July 2024. The NHI Act establishes the New Zealand government's natural hazard insurance product for residential buildings and associated residential land in New Zealand. This insurance is commonly known as NHCover.

This guide applies to claims for natural hazard damage occurring from 1 July 2024, unless the damage is part of an earlier claim under the EQC Act.

This guide also applies to levy payments under the NHI Act (previously referred to as the 'premium') payable from that date.

For earlier claims and premium payments, refer to the October 2022 version of this publication.

## Introduction

**The NHI Act establishes the New Zealand government's natural hazard insurance product, commonly known as NHCover.**

NHCover applies to 'residential buildings' and 'residential land'. NHCover for residential buildings is referred to as 'building cover' and NHCover for residential land is referred to as 'land cover'.

NHCover applies to:

<b>Residential building</b>	The whole of an 'eligible building' <sup>2</sup> (other than excluded property), appurtenant structures and service infrastructure for (usually) \$300,000 per event.
<b>Residential land</b>	<ul style="list-style-type: none"> <li>• The insured land areas:                             <ul style="list-style-type: none"> <li>• The 'insured person's land' under the residential building.</li> <li>• The insured person's land<sup>3</sup> within 8 metres, in a horizontal line, of the residential building.</li> <li>• The insured person's land within 60 metres, in a horizontal line, of the residential building, that is either part of the main access way to the residential building or supports land that is part of the main access way.</li> </ul> </li> </ul>

<sup>2</sup> See [section 7 of the NHI Act](#).

<sup>3</sup> See [section 16 of the NHI Act](#).



	<ul style="list-style-type: none"> <li>• The insured land structures:             <ul style="list-style-type: none"> <li>• Certain retaining walls and their support systems (within 60 metres, in a horizontal line, of the residential building) that are necessary for the support or protection of the residential building or the insured land areas.</li> <li>• Bridges and culverts within the insured land areas, and certain bridges and culverts outside of the insured person's land.</li> </ul> </li> <li>• See Section 9.2 How much can be paid out? regarding the amount of cover.</li> </ul>
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## Residential buildings

### Summary

#### Step 1: Is there a 'dwelling'?

A building, or part of a building, is a dwelling if it is both:

- self-contained: provides the facilities necessary for day-to-day living on an indefinite basis (including somewhere to cook, sleep, live, wash and use a toilet).

AND

- a home or holiday home, or capable of being, and intended by the owner to be, a home or holiday home:
  - A home:
    - A home is occupied, or intended for occupation, on more than a temporary or transient basis.
    - The primary purpose of the property is to serve as a domestic residence.
    - The person occupying is there by choice.
  - A holiday home:
    - The owners intend to use the property as a holiday home.
    - It must be capable of use by the owner as a holiday home.
    - It is unlikely to qualify if situated on the same land as the owner's residence.



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## Step 2: Is there an 'eligible building'?

The whole or part of a building can be an eligible building. The whole of a building is an eligible building where:

- the building contains one or more dwellings,
- the whole building is insured under a single policy that includes fire insurance, and
- one or more insured persons have an insurable interest in the whole of the building.

Part of a building is an eligible building where:

- the building contains one or more dwellings,
- one or more insured persons have an insurable interest in part of the building, including at least one dwelling, and
- those persons are entitled to the benefit of a single policy that includes fire insurance that insures that part of the building.

An eligible building is a mixed-use building when it contains both residential and non-residential premises and the residential percentage is less than 50% (see Section 1.5 Mixed-use buildings for details about 'residential percentage').



### Step 3: What is a 'residential building'?

A residential building is:

- the whole of an eligible building (other than any excluded property),
- any other appurtenant structures for the dwellings in the building, and
- any other service infrastructure for the dwellings in the building.

In the case of a mixed-use building, a residential building is:

- all the dwellings in the eligible building,
- all appurtenant structures for those dwellings,
- all service infrastructure for those dwellings,
- all the common property for the residential building, and
- all the joint property for the residential building.

Under the NHI Act, common property and joint property is only relevant to NHCover for mixed-use buildings.



#### Step 4: Consider guidance on the specific dwelling type.

Refer to the relevant section of this guide for each dwelling type as listed below:

Bed and breakfast accommodation ( <a href="#">5.5</a> )	Large-scale accommodation – not a dwelling ( <a href="#">5.14</a> )
Boarding house ( <a href="#">5.6</a> )	Long-term accommodation for the elderly ( <a href="#">5.17</a> )
Body corporate apartment building ( <a href="#">5.10</a> )	Multiple buildings, single policy ( <a href="#">5.12</a> )
Caravan and tiny house ( <a href="#">5.7</a> )	Multi-unit building ( <a href="#">5.9</a> )
Fractional ownership residential property ( <a href="#">5.16</a> )	Mixed-use building ( <a href="#">5.11</a> )
Garage and garden shed ( <a href="#">5.2</a> )	Residential building under repair/renovation ( <a href="#">5.3</a> )
Secondary dwelling and sleepout ( <a href="#">5.13</a> )	Serviced apartment and timeshare ( <a href="#">5.8</a> )
Holiday accommodation and motel ( <a href="#">5.15</a> )	Show home ( <a href="#">5.4</a> )
Home or holiday home ( <a href="#">2.1</a> , <a href="#">2.2</a> , <a href="#">2.3</a> )	

## 1. Scope of cover

### 1.1 Under the NHI Act

Residential buildings and residential land are insured under NHCover against physical loss or damage occurring as the direct result of a natural hazard. This is called 'natural hazard damage' (see Section 9. NHCover for residential land for further information).

'Natural hazard' means:

- an earthquake
- hydrothermal activity
- landslide
- a tsunami
- volcanic activity
- a flood
- a storm, or
- a natural hazard fire.

Residential buildings and residential land have NHCover for earthquakes, hydrothermal activity, landslides, tsunamis, volcanic activity, and natural hazard fire occasioned by those types of hazards.

Only residential land has NHCover for storms, floods, and natural hazard fire occasioned by a storm or flood.

NHCover for a 'residential building' extends to any 'appurtenant structures' (see Section 1.3 Appurtenant structures included with residential building) and 'service infrastructure' (see Section 1.4 Service infrastructure included with a residential building). In the case of mixed-use buildings, NHCover for a residential building applies proportionately to common property and joint property (see Section 1.5 Mixed-use buildings). Much of this guide provides information about what is and is not a residential building, and therefore what can be insured by NHCover.



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## 1.2 Fire insurance

For NHCover to apply, there must be a valid policy that includes fire insurance over the building (this means a 'fire insurance contract'<sup>4</sup> under the NHI Act) at the time of loss. The fire insurance contract brings the qualifying property 'on-risk' for the purpose of NHCover by making it an eligible building (alongside other criteria – see Section 3. Eligible building test).

The [NHI Act](#) describes a fire insurance contract as a contract under which one or more dwellings are insured against physical loss or damage by fire (other than natural hazard fire). This is whether the contract includes other risks or not. It does not include:

- any contract of reinsurance, or
- any contract that insures against physical loss or damage by natural hazard fire but not other fire.

## 1.3 Appurtenant structures included with residential building

NHCover also applies to certain property appurtenant to the residential building.

Property may be an appurtenant structure if:

- it is either:
  - part of the eligible building but not part of the dwelling, or
  - is, or is part of, a separate building or another immovable structure,
- it is appurtenant to the dwelling, and
- the property is used:
  - for household purposes or for access to the dwelling by one or more owners or occupiers of the dwelling, or
  - to house service infrastructure for the dwelling.

Property that would otherwise be an appurtenant structure is excluded property if it is uninsured (see Appendix B: Property excluded from NHCover (or excluded except in limited circumstances)).

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<sup>4</sup> The terms 'policy that includes fire insurance' and 'fire insurance contract' are used interchangeably throughout this guide.

## 1.4 Service infrastructure included with a residential building

NHCover also applies to certain infrastructure that provides a service to the dwelling, appurtenant structure or insured person's land. Property may be covered as service infrastructure if it provides a service to:

- the dwelling or an appurtenant structure that is part of the eligible building **and** is in, or within 60 metres, in a horizontal line, of the eligible building,
- any other appurtenant structure **and** is in, or within 60 metres, in a horizontal line, of the appurtenant structure, or
- the insured person's land **and** is in, or within 60 metres, in a horizontal line, of the eligible building or an appurtenant structure.

Infrastructure means structures or fixtures used to provide a service. This includes but is not limited to:

- pipes, cables, wires, poles, and drains,
- water tanks, water towers, septic tanks, tanks for storage of other liquids or gas (such as fuel for heating), and
- equipment and machinery (such as a pump, switchboard, or heating unit).

'Services' means water supply, drainage, sewerage, gas, electricity, heating or telecommunications.

## 1.5 Mixed-use buildings

An eligible building is a mixed-use building when it contains both residential and non-residential premises and the residential percentage is less than 50%. This is commonly known as the '50% test'.



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An eligible building's residential percentage is calculated as follows.

$$r = [(d + a + j) \div b] \times 100$$

where—

- r** is the eligible building's residential percentage
- d** is the internal floor area of the dwellings in the eligible building
- a** is the internal floor area of all appurtenant structures for the dwellings that are part of the eligible building
- j** is the internal floor area of all appurtenant structures for any joint-owner premises (as defined in [section 14\(4\) of the NHI Act](#)) that are part of the eligible building
- b** is the internal floor area of the whole of the eligible building, excluding any common property.

A mixed-use building may include common property and/or joint property. Under the NHI Act, common property and joint property are only relevant for mixed-use buildings.

### Common property

The parts of a mixed-use building that are available for use by, or are for the benefit of, the owners or occupants of **all premises** in the eligible building (including both residential and non-residential premises) are common property if they are:

- integral components of the eligible building, such as the roof, foundations, cladding or structural elements,
- appurtenant structures for the premises, such as a shared laundry area, shared stairwells, or shared lifts (where these are available for use by all occupants),
- service infrastructure for the premises, such as the building's main water line, an HVAC system that serves the whole building, or the main electrical switchboard for the building, or
- other areas in the eligible building that are not part of any premises, such as a foyer, or storage area for building maintenance supplies.



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A particular part of the building is available for use when it can be used **both** physically and legally by the owners and other occupants. A particular part of the building is for the benefit of the owners or occupants if it is intended to provide an advantage to them in their use and occupation of the premises.

### **Appurtenant structures for the premises**

An appurtenant structure for the premises in a mixed-use building is the same as an appurtenant structure for a dwelling (see Section 1.3 Appurtenant structures included with residential building), except that it must be appurtenant to all premises in the eligible building.

### **Service infrastructure for the premises**

Service infrastructure for the premises in a mixed-use building is the same as service infrastructure for a dwelling (see Section 1.4 Service infrastructure included with a residential building), except that it must provide a service to:

- all premises in the eligible building and is in, or within 60 metres, in a horizontal line, of the eligible building,
- an appurtenant structure for the premises or other common property that is part of the eligible building and is in, or within 60 metres, in a horizontal line, of the eligible building,
- any other appurtenant structure for the premises and is in, or within 60 metres, in a horizontal line, of the appurtenant structure, or
- common land for the eligible building and is in, or within 60 metres, in a horizontal line, of the eligible building or an appurtenant structure for the premises.

### **What parts of the building are not common property?**

A part of the building is not common property if:

- it is excluded property (see Appendix B: Property excluded from NHCover (or excluded except in limited circumstances)), or
- the owners of any of the premises in the building do not have an insurable interest in that part of the building.



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## Joint property

Parts of a residential building are joint property if they are available for use by, or for the benefit of, the owners or occupants of **some but not all premises** in the eligible building (including both residential and non-residential premises so long as at least one of the residential premises contains a dwelling) and the owners of the joint owner premises all have an insurable interest in the property, and they are:

- integral components of the eligible building,
- appurtenant structures for the joint-owner premises,
- service infrastructure for the joint-owner premises, or
- other areas in the eligible building that are not part of any premises.

### Appurtenant structures for joint-owner premises

An appurtenant structure for joint-owner premises in a mixed-use building is the same as an appurtenant structure for a dwelling (see Section 1.3 Appurtenant structures included with residential building), except that it must be appurtenant to all the joint-owner premises.

### Service infrastructure for joint-owner premises

Service infrastructure for joint-owner premises is the same as service infrastructure for a dwelling (see Section 1.4 Service infrastructure included with a residential building included with a residential building), except that it relates to joint-owner premises only.

### What parts of the building are not joint property?

A part of the building is not joint property if it is excluded property (see Appendix B: Property excluded from NHCover (or excluded except in limited circumstances)).

## 1.6 No cover beyond direct physical loss or damage

Physical loss or damage in relation to property includes any physical loss or damage to the property that, in our opinion (or our agent's opinion), is imminent damage. This means it is more likely than not to occur within 12 months after the natural hazard occurred, and as the direct result of that natural hazard. NHCover does not extend beyond physical loss or damage to the insured property that occurs as the direct result of a natural hazard.



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For example, in the event of natural hazard damage to a bore:

- a change in the water quality or the disappearance of the water itself is not covered, but
- any damage to the bore infrastructure is covered (subject to meeting all other NHCover criteria).

### 1.7 Amount of cover

The maximum amount of insurance available under NHCover per event for a residential building ('building cover cap') is the least of the following three options:

1. Any replacement sum insured as specified in the policy that includes fire insurance.
2. If there is no replacement sum insured, the greater of the sum specified in respect of NHCover and the floor area multiplied by \$2,500.
3. The amount arrived at using the following formula:

$$\text{Number of dwellings} \times \$300,000 = \text{amount of cover.}$$

#### Option 1

If the policy that includes fire insurance covers a residential building for a replacement sum insured, the size of the dwelling is not used to calculate the building cover cap.

Where there are multiple replacement sums insuring different parts of a residential building, the replacement sums for the property insured under the NHI Act are added together to calculate the building cover cap.

Where a policy that includes fire insurance covers two or more residential buildings, Option 1 is only used when:

- the policy specifies one or more replacement sum insured amounts for each of the residential buildings, and
- none of those specified amounts relate to more than one eligible building.

If the replacement sum 'floats' over multiple eligible buildings, Option 3 is used to calculate the building cover cap.



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## Option 2

If, instead of setting out a replacement sum insured, the policy that includes fire insurance specifies a sum that the residential building is insured for under the NHI Act, the size of the dwelling is only used to calculate the building cover cap if the specified sum is less than \$2,500 multiplied by the insured floor area. The insured floor area is determined as follows:

- **Floor area** is measured in square metres.
- **Insured floor area for a residential building** (except a mixed-use building) is the internal floor area of:
  - the whole eligible building, and
  - all appurtenant structures for the dwellings that are not part of the eligible building but are, or are part of, a different building.
- **Insured floor area for a residential building where the eligible building is a mixed-use building** is calculated using this equation:

$$f = d + a + j + (c \times r \div 100)$$

where—

- f** is the insured floor area
- d** is the internal floor area of the dwellings in the residential building
- a** is the internal floor area of all appurtenant structures for the dwellings that are, or are part of, a building
- j** is the internal floor area of all appurtenant structures for any joint-owner premises (as defined in [section 14\(4\) of the NHI Act](#)) that are, or are part of, a building
- c** is the internal floor area of any common property that is, or is part of, a building
- r** is the eligible building's residential percentage.

Where a policy that includes fire insurance covers two or more residential buildings, Option 2 is only used where:

- the policy that includes fire insurance specifies one or more amounts that each residential building is insured for under the NHI Act (the specified NHCover sum insured), and
- none of those specified amounts relates to more than one eligible building.

If the specified NHCover sum insured amount 'floats' over multiple residential buildings, Option 3 is used to determine the building cover cap.

### Option 3

A residential building is considered to comprise:

- the number of dwellings that was disclosed to the private insurer providing fire insurance at the time that the policy was entered into (or before its most recent renewal), or
- one dwelling, if a number was not disclosed to the insurer.

Example residential building with a single dwelling	The maximum amount of insurance available per event (the 'building cover cap')	Option
Replacement sum insured = \$800,000	\$300,000 (because it is less than the replacement sum insured)	Option 1
Replacement sum insured = \$250,000 Insured floor area = 65m <sup>2</sup>	\$250,000 (because the replacement sum insured is less than \$300,000)	Option 1
Open-ended replacement cover Insured floor area = 220m <sup>2</sup>	\$300,000 (because there is no replacement sum insured and no NHCover sum insured specified)	Option 3
Open-ended replacement cover Insured floor area = 90m <sup>2</sup>	\$300,000 (because there is no replacement sum insured and no NHCover sum insured specified) If an NHCover sum insured is specified, it can be between: \$225,000 (min: \$2,500 x 90m <sup>2</sup> ) and	Option 3 Option 2

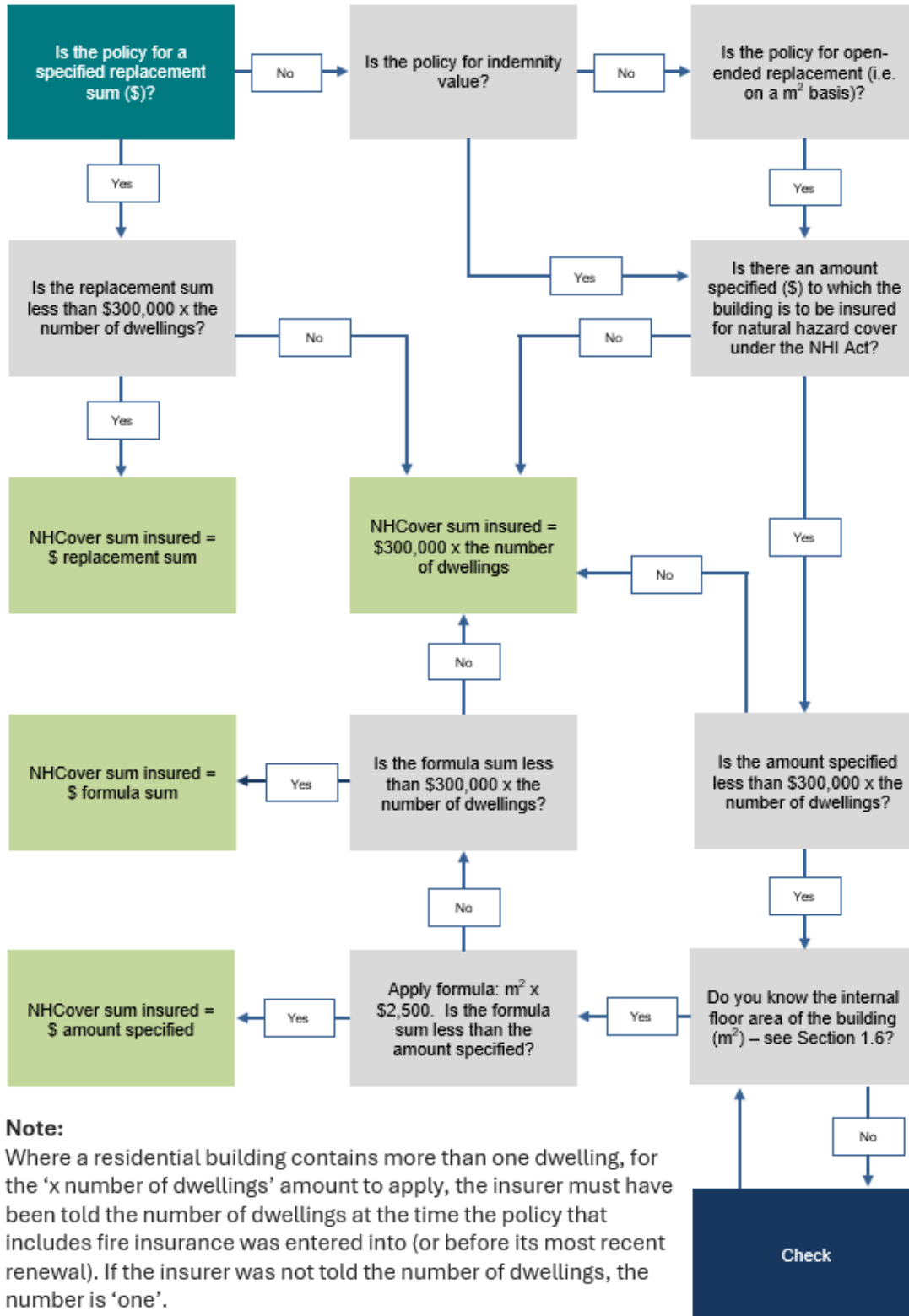


Example residential building with a single dwelling	The maximum amount of insurance available per event (the 'building cover cap')	Option
	\$300,000 (max: \$300,000 x one dwelling)	
Indemnity value Insured floor area = 55m <sup>2</sup>	If no NHCover sum insured is specified, NHCover is \$300,000. If an NHCover sum insured is specified, it can be between: \$137,500 (min: \$2,500 x 55m <sup>2</sup> ) and \$300,000 (max: \$300,000 x one dwelling)	Option 3 Option 2



### 1.8 Extent of NHCover

Follow the diagram to work out the sum insured by NHCover for the residential building based on the private insurance policy.



**Note:**

Where a residential building contains more than one dwelling, for the ‘x number of dwellings’ amount to apply, the insurer must have been told the number of dwellings at the time the policy that includes fire insurance was entered into (or before its most recent renewal). If the insurer was not told the number of dwellings, the number is ‘one’.

## 2. Dwelling test

The first step to identifying a residential building is to identify whether the building contains a dwelling.

To be a dwelling, the premises must be self-contained, and either:

- be used as the home or holiday home of at least one person, or
- be capable of being the home or holiday home of at least one person and be intended by the owner of the premises to be the home or holiday home of at least one person.

Self-contained	+	is the home or holiday home of at least one person	=	dwelling
Self-contained	+	is capable of being the home or holiday home of at least one person	+ is intended by the owner to be the home or holiday home of at least one person	= dwelling

### 2.1 Self-contained

To be a dwelling, the premises must be self-contained, with the facilities necessary to meet the occupants' needs for day-to-day living on an indefinite basis. The facilities do not have to be in one building but must be for the exclusive use of the dwelling. There must be somewhere to:

- cook
- sleep
- live
- wash, and
- use a toilet.

For example, a property may have:

- an outhouse on the grounds that is not shared with any other dwellings, rather than an inside toilet.
- a sink and a fridge, with a microwave and a bench-top oven or hob for cooking, rather than a wired-in oven.

## 2.2 A home or holiday home

### a. Home

For NHCover purposes, a home is where a person chooses to live (whether alone or with others) on a more than temporary or transient basis and the primary purpose of the premises is to serve as someone's home.

Examples include:

- an owner-occupied home
- a home leased to a tenant
- flatting situations.

### b. Holiday home

A holiday home is a secondary residence for someone whose home is elsewhere and that person uses it on a transient basis, usually for holidays.

A building is unlikely to be a holiday home if:

- it is set up purely as a commercial enterprise and the owners do not use it or intend to use it for their own purposes (or for someone else to use it as their holiday home),
- it is owned by an organisation purely for the benefit of its members and these members pay to stay there, or
- it is on the same property as the owners' residence. Even though others, such as family and friends, may use the building for holidays or visits, it is unlikely to be the holiday destination for the owners or the holiday home of any other person. In those circumstances, the building may be an appurtenant structure.

## 2.3 Capable of being the home or holiday home

Where a building contains all the components needed to be a home or holiday home but is not occupied as a home or holiday home, it can still be insured under the NHI Act if it is:

- capable of being a home or holiday home, and
- intended by the owner to be a home or holiday home.



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For example, a tenanted property might have a period where it is untenanted. If this period occurs at the renewal date of an insurance policy, the building is not being used as someone's home. However, if the landlord intends to tenant the building during the insurance period, it is considered capable of being a person's home.

## 2.4 'Intended' by the owner to be a home or a holiday home

### a. Intended to be a home

There are no defined criteria to prove this intention. The circumstances disclosed by the owner about the intent are relied on to make this determination, for example:

- the owner's description of how they intend to use the property,
- lease/tenancy type and duration,
- the type of insurance policy covering the property, and/or
- steps the owner is taking to tenant the property (such as advertising).

### b. Intended to be a holiday home

The circumstances must show the owner intends to keep returning, no matter how minimal the use. At a minimum, it is acceptable if the owner has the entitlement to occupy the property whenever they wish, and they store (some of) their possessions there.

A holiday home may be used:

- solely by the owner,
- by friends and family, as well as the owner, and/or
- by tenants on a periodic basis (including short-term holiday accommodation), as well as by the owner when they want to use it.

## 2.5 Situations where there is not a dwelling

A building, or part of a building, is not a dwelling (even if it meets the criteria to be one) if:

- it is used to provide accommodation on a scale larger than is typical for use as the home of a single household, and
- the owner does not intend it to be used as the home of a single household.

For example, university hostels, boarding school accommodation, club houses or workers' hostels are not usually dwellings (see Section 5.14 'Large-scale accommodation' is not a dwelling).

This exclusion only applies to homes. It does not apply to holiday homes or to long-term accommodation for the elderly.

A dwelling may, however, be an immovable vehicle or structure that is taken to be a building (or part of a building), so long as it meets the criteria of a dwelling (see Section 5.7 Caravans and tiny houses). Examples of situations where there is not a dwelling include:

- premises that only provide temporary or transient accommodation (this means accommodation that is ordinarily provided for periods of less than 28 days at a time) (e.g., hotels and motels),
- premises where the occupants are not living there voluntarily (e.g., a prison), or
- premises that are primarily used for a purpose other than accommodation (e.g., hospitals or emergency care facilities).

## **2.6 Certain situations where the premises temporarily cease to be a dwelling**

Premises may temporarily cease to meet the criteria of a dwelling but remain a dwelling for the purposes of NHCover, provided that:

- the owner of the building intends that it will again meet the criteria to be a dwelling (to do so, the building must be wholly or substantially the same building that previously met the dwelling criteria, i.e. it cannot be demolished and rebuilt), and
- the building will not be used for any other purpose before then.

The building only remains a dwelling when the cessation is because of:

- building work being carried out in connection with the dwelling,
- physical loss or damage to the building or part of the building as a result of a natural hazard as defined by the NHI Act, or
- physical loss or damage to the building or part of the building as a result of a sudden and unexpected event that is not a natural hazard.

The building only continues to have NHCover if a policy that includes fire insurance remains in place for the building during the period it does not meet the criteria of a dwelling.

### 3. Eligible building test

An eligible building is the building that contains one or more dwellings. The whole or part of a building can be an eligible building.

The whole of a building is an eligible building where:

- the building contains one or more dwellings,
- the whole building is insured under a policy that includes fire insurance, and
- one or more insured persons have an insurable interest in the whole building.

Part of a building is an eligible building where:

- the building contains one or more dwellings,
- one or more insured persons have an insurable interest in part of the building, including at least one dwelling, and
- those persons are entitled to the benefit of a single policy that includes fire insurance that insures that part of the building.

In practice, that means whether the whole or part of a building is an eligible building is determined by the area of the building that is covered by the insured person's policy that includes fire insurance.

An eligible building is a mixed-use building when it contains both residential and non-residential premises and the residential percentage is less than 50%. See Section 1.5 Mixed-use buildings.

### 4. Residential building test

Every time a private insurer makes or renews a policy that includes fire insurance, they must identify whether the building or part of the building meets the definition of a 'residential building'.

If, during the period of the policy that includes fire insurance, a building or part of a building ceases to meet the definition of a residential building, NHCover continues until the insurance is renewed, lapses or is cancelled.



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NHCover ceases when the policy that includes fire insurance:

- is due to be renewed and the building or part of the building no longer meets the definition of a residential building, or
- lapses or is cancelled.

A property that does not include a dwelling when it is insured under the policy, and then becomes a dwelling during the policy period (in whole or in part), does not have NHCover until the policy is renewed or a new policy that includes fire insurance is entered into.

There may be scenarios where it is necessary to consider whether NHCover applies to a building in whole or in part. For more information, see Section 5. Property-specific guidance.

## 5. Property-specific guidance

To come within the definition of a residential building in the NHI Act, a building (or part of a building, or other structure) must comprise or include an eligible building that contains one or more dwellings.

For the whole building to be covered, the internal floor area of the dwelling or dwellings and appurtenant structures must be 50% or more of the total internal floor area of the building (excluding common property).

Where the internal floor area of the dwelling or dwellings and appurtenant structures is less than 50% of the total internal floor area of the building (**mixed-use building**), the dwellings, appurtenant structures and service infrastructure for those dwellings are covered. NHCover for a mixed-use building also applies proportionately to common and joint property. The rest of the building is not covered.

Section 2. Dwelling test explains what constitutes a dwelling. This section looks at how the dwelling requirements apply in particular situations and considers the rest of the definition of a residential building.



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## 5.1 Dwellings

NHCover applies to dwellings, including:

- where the owner lives in them (whether with others or not)
- where the whole dwelling is rented by a tenant (whether with others or not)
- flatting situations (whether one occupant rents the entire dwelling and lets others live there, or each occupant rents a bedroom exclusively from the landlord, sharing other facilities in common)
- where occupants rent individual rooms on a more than transient or temporary basis, from a landlord, and where the occupants share common facilities
- where the owner uses it as their holiday home
- where the building (or part of the building) is used to provide long-term accommodation for the elderly
- a self-contained secondary dwelling that the occupant is using as their home, independent of the main dwelling.

## 5.2 Garages, garden sheds and similar

NHCover applies if these structures are appurtenant structures for a dwelling (see Section 1.3 Appurtenant structures included with residential building).

## 5.3 Contract works policy—residential building under extensive repair or renovation

As previously stated, the 'test date' to determine if the building is a residential building for the purposes of NHCover is the time the policy that includes fire insurance is made or renewed. Fire insurance can be included as part of many policy types e.g. a standard home policy, commercial policy or contract works policy.

If, during the period of the fire insurance, a building ceases to meet the definition of a residential building, NHCover continues until the insurance is renewed, lapses or is cancelled (see Section 4. Residential building test and Section 2.6 Certain situations where the premises temporarily cease to be a dwelling).

## 5.4 Show homes

The NHI Act does not provide cover for buildings such as show homes that are purely used to showcase a product or design. These are not anyone's home and there is no intention that they will be lived in as a home.



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If, when the policy that includes fire insurance was made or most recently renewed, the show home is on the market to be sold and the intention is that once it has sold it will:

- be someone's home and be capable of being a home, it is a dwelling.
- continue to be used as a show home or a commercial building, it is not a dwelling.

### 5.5 Bed and breakfast accommodation

Where a person lives in a house but also provides bed and breakfast accommodation from the house, it is as a whole, generally a dwelling for the purposes of the NHI Act. That is because the house comprises self-contained premises, where the purpose remains that it is the home of one or more persons.

Similarly, where a person's home or holiday home is made available to others for short-term holiday accommodation (including for example, on Airbnb or Bookabach), the home or holiday home is generally a dwelling for the purposes of the NHI Act if:

- the home is lived in by the homeowner or others as their home, or is capable of being and is intended to be lived in by the homeowner or others as their home.
- the holiday home is capable of and intended to be used for personal use by the homeowner whenever they wish to use it (see Section 2.4 'Intended' by the owner to be a home or a holiday home).

If a property contains two (or more) self-contained premises, it is necessary to consider whether each premises meets the dwelling test. One of the premises might be covered as a dwelling under the NHI Act while the other is not.

#### Example 1

There are two self-contained buildings on the same property. The owners use one as their home, and the other is used solely for short-term accommodation.

The first building is covered as a dwelling because it comprises self-contained premises, and that premises is the home of the owners used by the owners as their home.

The second building is not covered as a dwelling. Although it is self-contained, it is not used or intended to be used as any person's home or holiday home. However, it



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may be covered as an appurtenant structure to the first dwelling if it used for other purposes and meets the requirements for being an appurtenant structure.

### Example 2

A two-level building is partly used as a bed and breakfast property. Each floor of the building is self-contained. The top floor is used by the owners as their home. It has two bedrooms and is self-contained, with a total internal floor area of 90 m<sup>2</sup>.

The ground floor is also self-contained and is devoted to bed and breakfast accommodation only. The ground floor contains two bedrooms with a total internal floor area of 100 m<sup>2</sup>.

NHCover does not apply to the whole building because the eligible building is a mixed-use building. The premises comprising the top floor is somebody's home, and the internal floor area of the top floor is not 50 % or more of the total internal floor area of the building.

However, NHCover applies to the top floor and any appurtenant structures and service infrastructure for that home. NHCover also applies proportionately to any parts of the building that are common or joint property, such as a foyer, a roof or foundations. Because the top floor is a part of a building and that part of the building is self-contained and used as a home, it is a dwelling as defined by the NHI Act.

### 5.6 Boarding houses and similar

See Section 5.9 Multi-unit buildings.

### 5.7 Caravans and tiny houses

Whether a caravan or tiny house is a dwelling depends on whether it is immovable and meets the other requirements of a dwelling (see Section 2. Dwelling test). If the caravan or tiny house is not a dwelling, it may instead be an appurtenant structure, if it meets those criteria.



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**Example 1**

The caravan or tiny house:

- is not connected to local services
- can be readily moved between locations (e.g. is on wheels or a trailer).

It is not a dwelling.

**Example 2**

The caravan or tiny house:

- is self-contained
- is connected to local services and/or can be self-sufficient
- cannot be readily moved (e.g. is fixed to the ground, connected to services, attached to decks or other structures).

It is a dwelling (subject to meeting the other requirements of a dwelling).

**5.8 Serviced apartments and timeshares**

Serviced apartments and timeshares do not usually have NHCover. However, if:

- there is a self-contained manager's accommodation, that accommodation is covered (subject to meeting the other requirements of a dwelling)
- the building is a mixed-use building and has both serviced and owner-occupied apartments, NHCover applies to the owner-occupied apartments.

See Section 5.11 Mixed-use building.

See Section 5.17 Long-term accommodation for the elderly, Example 2: Retirement village for apartment-style accommodation in a retirement village.

**5.9 Multi-unit buildings**

There are several situations where a residential building contains more than one 'dwelling' within its structure (e.g. apartment buildings or large buildings divided into flats).

In these situations, and where the policy that includes fire insurance is over the whole building, NHCover applies to the building as a whole, not on a dwelling-by-dwelling basis. The number of dwellings in the building is relevant to calculating



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the building cover cap, because this is used in the formula in Section 1.7 Amount of cover, Option 3 (\$300,000 x number of dwellings).

A residential building is considered to comprise:

- the number of dwellings that was disclosed to the private insurer providing fire insurance at the time the policy was entered into (or before its most recent renewal), or
- one dwelling, if a number was not disclosed.

It is essential that the correct number of dwellings within each residential building is disclosed to the insurer so they can correctly calculate the building cover cap.

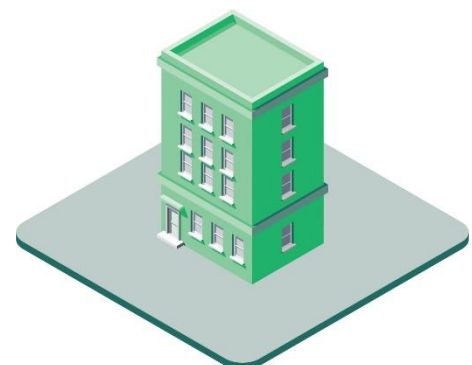
### 5.10 Body corporate apartment buildings

The NHCover calculations below are scenarios for 12 apartments in a body corporate building where there is a single policy that includes fire insurance over the whole building. The owner has disclosed to the insurer that there are 12 dwellings.

If the building is insured for:

- replacement sum insured of \$6,000,000, the building cover cap = \$3,600,000 (i.e. 12 x \$300,000 because it is less than the replacement sum insured).
- replacement sum insured of \$1,000,000, the building cover cap = \$1,000,000 (because the replacement sum insured is less than \$3,600,000 i.e. 12 x \$300,000).
- indemnity sum insured, the building cover cap = \$3,600,000 (i.e. 12 x \$300,000) unless there is a lesser specified amount that the building is insured for under the NHI Act, see Section 1.7 Amount of cover).

Apartment	Apartment	Apartment
Apartment	Apartment	Apartment
Apartment	Apartment	Apartment
Apartment	Apartment	Apartment



### 5.11 Mixed-use building

The examples below show the maximum cover available (building cover cap) for a residential building under the NHI Act. A residential building is considered to comprise:

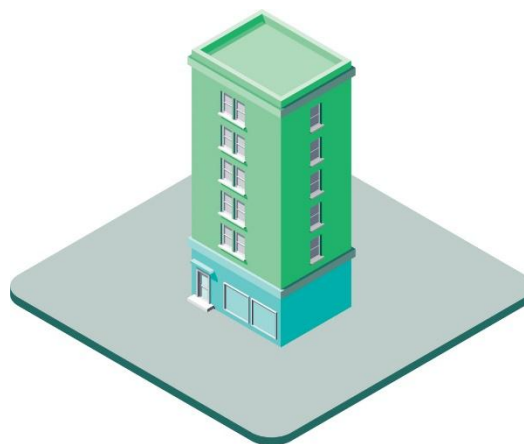
- the number of dwellings that was correctly disclosed to the private insurer providing fire insurance at the time that the policy was entered into (or before its most recent renewal), or
- one dwelling, if a number was not disclosed.

#### Example 1. The entire building is a residential building

Five self-contained apartments and one retail shop are in a building with a single owner and a single fire insurance contract with a replacement sum insured of \$5,000,000.

Building cover cap = \$1,500,000 (i.e. 5 x \$300,000, because it is less than the replacement sum insured) for the building, provided the owner disclosed to the insurer that there were five dwellings when the policy that includes fire insurance was made or renewed.

Because the internal floor area of the dwellings is more than 50% of the total internal floor area of the building, the NHI Act covers damage anywhere in the building.



#### Example 2. The entire building is a residential building

Three flats and a retail shop are in a building with a single owner and a single fire insurance contract with a replacement sum insured of \$800,000.

Building cover cap = \$800,000 (because it is less than \$900,000 i.e. 3 x \$300,000).

Because the internal floor area of the dwellings is 50% of the total internal floor area of the building, the NHI Act covers damage anywhere in the building.



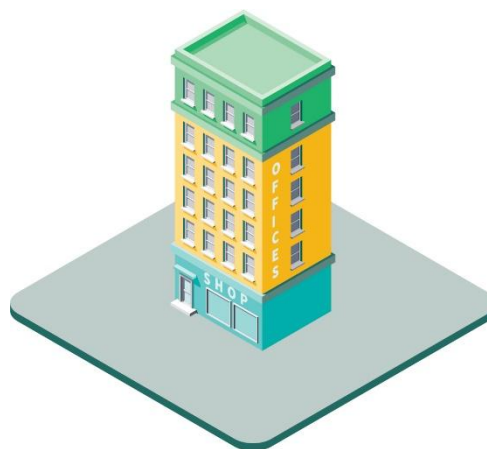
**Example 3. Only part of the building is a residential building**

One apartment, offices and retail shops are in a building with one owner and a single fire insurance contract with a replacement sum insured of \$ 3,000,000.

Building cover cap = \$300,000 (i.e. 1 x \$300,000 because it is less than the replacement sum insured).

The definition of residential building includes mixed-use buildings where the internal floor area of the dwelling or dwellings and appurtenant structures is less than 50% of the total internal floor area of the building. The whole building is not an insured residential building, because less than 50% of the internal floor area is dwellings. NHCover applies:

- to the dwelling,
- to appurtenant structures and service infrastructure for the dwelling, and
- proportionately to any parts of the building that are common or joint property, such as a foyer, a roof or foundations.



### 5.12 Multiple buildings or dwellings covered by a single insurance policy

There are often situations where a policy that includes fire insurance covers two or more separate residential buildings. Some of these buildings may also contain multiple dwellings.

For example, a body corporate complex might consist of two distinct buildings, each containing two dwellings. Each distinct building is an eligible building because it contains at least one dwelling. NHCover is calculated for each residential building separately.

Where a policy covers multiple eligible buildings with a single replacement sum insured (i.e. it 'floats' over all the buildings and does not specify an amount each building is insured for) then the replacement sum insured is not used for calculating the NHCover.

In these situations, it would be possible for the policy to specify an NHCover sum insured for each of the residential buildings. However, the NHCover is limited to a maximum of \$300,000 per dwelling for each building.

Situation	NHCover
<p>Body corporate complex. Two residential buildings, each with two dwellings, which the insurer was told about.</p> <p>Insured floor area per dwelling = 50 m<sup>2</sup>.</p> <p>Replacement sum insured 'floats' across all buildings in body corporate = \$2,000,000.</p>	<p>Building cover cap for each residential building = \$600,000 (\$300,000 x two dwellings).</p> <p>The replacement sum insured does not apply, because it 'floats' across both buildings. The replacement sum insured is only used to determine the building cover cap where there is a separate replacement sum insured stated for each eligible building.</p>



Situation	NHCover
<p>Policy covering two residential buildings. Each building contains a single dwelling. Building one replacement sum insured = \$1,000,000 Building two indemnity value, insured floor area = 50 m<sup>2</sup></p>	<p>Building cover cap for building one = \$300,000 (because it is less than the replacement sum insured)</p> <p>Because there is no replacement sum insured for building two, a sum insured for NHCover can be specified in the policy that includes fire insurance. That amount applies as the building cover cap for building two, and must be between: \$125,000 (min: \$2,500 x 50 m<sup>2</sup>) and \$300,000 (max: \$300,000 x one dwelling)</p> <p>Otherwise, the building cover cap for building two = \$300,000.</p>



### 5.13 Secondary dwellings and sleepouts

A property may include a main dwelling and a secondary dwelling or a sleepout.



The secondary dwelling or sleepout could be covered as either:

- an appurtenant structure to the main dwelling, or
- a dwelling in its own right.

To be considered a dwelling in its own right, a secondary dwelling or sleepout must be self-contained (see section 2.1 Self-contained) and either be:

- used as a home or holiday home of at least one person, or
- capable of being the home or holiday home of at least one person, and be intended by the owner of the premises to be the home or holiday home of at least one person (see sections 2.3 Capable of being the home or holiday home and 2.4 'Intended' by the owner to be a home or a holiday home).

This means it must be determined whether the secondary dwelling or sleepout is being used as someone's home or holiday home, independent of the main dwelling.

For example, if a secondary dwelling is tenanted or occupied by somebody who lives independently of the main dwelling, it is considered their home and has its own NHCover, with a separate NHI levy. This applies whether the occupant is a family member or not. The relationship between the occupants of the main dwelling and the occupants of the secondary dwelling does not determine this.

Where a secondary dwelling is used by someone (whether a family member or not) together with the main dwelling as one home, it is considered an extension of the main dwelling, not a separate dwelling. This is because the person occupying the secondary dwelling has shared use of facilities within the main dwelling, and is using the two buildings together as their home. In this case the secondary dwelling is likely to be an appurtenant structure (see section 1.3 Appurtenant structures included with residential building) insured under the NHCover for the residential building that the main dwelling is part of, therefore a separate NHI levy does not apply.

### **Why it is important to determine whether the secondary dwelling or sleepout is used as a separate dwelling or an appurtenant structure to the main dwelling**

Whether a building or structure is an appurtenant structure or a separate dwelling can affect how much cover is available for both the residential building and the associated residential land.



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This is because the number of dwellings disclosed to the insurer or broker is used to calculate the:

- building cover cap
- NHI levy
- number of excesses that apply when a claim is made.

Appurtenant structures to the dwelling do not have their own building cover cap. Instead, they are covered under the NHCover for the residential building that the dwelling is part of.

### Disclosing the number of dwellings

It is the owner’s responsibility to disclose the correct number of dwellings in a residential building to be insured under the NHI Act (see paragraph 2.4) to the insurer or broker.

The insurer must also take reasonable steps to clearly inform the owner of their duty of disclosure, and assist them to disclose the correct number of dwellings.

The insurer should ask questions about how the secondary dwelling or sleepout is used, how it is capable of being used, and how the owner intends to use it. For example, they could ask whether the secondary dwelling or sleepout is being used as someone’s home, independent of the main dwelling. Whether the secondary dwelling or sleepout is a separate building or part of the main dwelling can affect how the building cover cap and NHI levy are calculated for each residential building. For example:

Situation	NHCover
<p>Main dwelling with a self-contained secondary dwelling in same building.</p> <p>The main dwelling and the secondary dwelling are lived in independently of one another and each considered separate homes.</p> <p>Replacement sum insured for the whole building = \$900,000.</p>	<p>The homeowner has disclosed to the insurer that there are two separate dwellings contained within one residential building.</p> <p>The building cover cap for the residential building = \$600,000 (i.e. \$300,000 x two dwellings, because it is less than the replacement sum insured).</p>
<p>Main dwelling with a self-contained secondary dwelling in same building. The secondary dwelling is used as overflow accommodation for family and friends to stay when they visit</p>	<p>The homeowner has disclosed to the insurer that there is one dwelling.</p> <p>The building cover cap for the residential</p>



Situation	NHCover
<p>but is not used or intended to be used as a separate home from the main dwelling.</p> <p>Replacement sum insured for the whole building = \$900,000.</p>	<p>building = \$300,000 (i.e. \$300,000 x one dwelling, because it is less than the replacement sum insured).</p> <p>The secondary dwelling is appurtenant to the main dwelling, so it is covered under the NHCover for the residential building that the dwelling is part of.</p>
<p>Main dwelling with a self-contained, detached sleepout.</p> <p>The sleepout is used as 'guest house' for visitors and is not intended to be a separate home from the main dwelling.</p> <p>The main dwelling has a replacement sum insured = \$900,000.</p> <p>The internal floor area of the main dwelling = 200 m<sup>2</sup>.</p> <p>The internal floor area of the sleepout = 50 m<sup>2</sup>.</p>	<p>The homeowner discloses to the insurer that there is one dwelling, and the sleepout is determined to be an appurtenant structure.</p> <p>The building cover cap for the residential building = \$300,000 (i.e. \$300,000 x one dwelling, because it is less than the replacement sum insured). The sleepout is appurtenant to the main dwelling, so it is covered under the NHCover for the residential building that the dwelling is part of.</p>
<p>Main dwelling and a self-contained, detached secondary dwelling. The secondary dwelling is occupied by a family member of the occupants of the main dwelling. The secondary dwelling is used as a separate home from the main dwelling.</p> <p>Main dwelling = 200 m<sup>2</sup>, replacement sum insured \$800,000.</p> <p>Secondary dwelling = 50 m<sup>2</sup>, replacement sum insured \$125,000.</p>	<p>The homeowner discloses to the insurer that there are two dwellings on the property – the main dwelling and the secondary dwelling.</p> <p>The building cover cap for the main dwelling = \$300,000 (i.e. \$300,000 x one dwelling, because it is less than the replacement sum insured).</p> <p>The building cover cap for the secondary dwelling = \$125,000 (because the replacement sum insured is less than \$300,000 i.e. \$300,000 x one dwelling).</p>



### 5.14 'Large-scale accommodation' is not a dwelling

A building, or part of a building, is not a dwelling (even if it meets the criteria to be one) if:

- it is used to provide accommodation on a scale larger than is typical for use as the home of a single household, and
- the owner does not intend it to be used as the home of a single household.

The following independent factors help identify whether the building is being used to provide accommodation on a scale larger than is typical for use as the home of a single household:

- whether the premises has seven or more standard bedrooms,
- whether the premises has any non-standard bedrooms or spaces intended for larger numbers of people to sleep in (e.g. large dormitory-style rooms),
- whether there are facilities in the premises to suggest it is intended to accommodate people on a large scale (e.g. an industrial kitchen or multiple communal facilities), and
- if the premises has the facilities to accommodate people on a large scale, whether the premises is being used for that purpose.

The owner's intention to use the premises as the home of a single household is a question of fact. How and why the occupants live together should be considered. To be a 'household', the occupants should have a relationship that has a degree of social cohesion between the occupants (e.g. family or friends sharing a house). Factors to consider include:

- the number of residents at any given time,
- whether there is a level of permanence in the occupation of the building (or whether the occupation is more transient and short-term in nature),
- whether there is agreement of the residents to live together (in other words, whether the tenants are on the same tenancy agreement or the landlord has contracted with them individually),
- the degree of restriction placed on the residents by the owner (i.e. 'house rules'), and
- whether operation of the building is commercial in nature, rather than a domestic dwelling (an indication of this through design of the premises e.g. a lack of shared social spaces).

This exclusion only applies to homes. It does not apply to holiday homes or to long-term accommodation for the elderly.

### Example 1

The building has four bedrooms and 16 occupants. There is one full kitchen, a laundry, and the bedrooms each contain two bunkbeds divided by curtains. There is a schedule for use of shared areas. The building is owned by a company that rents the bunkbeds out individually on a short-term tenancy agreement, and the occupants do not know each other. The building is not large but is used to provide accommodation on a scale larger than is typical for a single household. The owner does not intend for the premises to be used as the home of a single household. The building is unlikely to be a dwelling.

### Example 2

The building has seven bedrooms and 12 occupants. There is a full kitchen and five bedrooms upstairs, and a kitchenette, laundry and two bedrooms downstairs. The house is owned by a couple, who live there with multiple generations of their family. This building is used to provide accommodation on a large scale larger than is typical for a single household but its owners intend it to be used as the home of a single household, so it is a dwelling.

### Example 3

The building has ten bedrooms which can be separately locked. There are 18 people living in the building, including several small unrelated groups. The occupants are under separate fixed-term tenancy agreements. Some of the occupants do not know each other, although some occupants have developed friendships through living at the premises. The building has a large storage area, two kitchens and two laundries on separate floors with individual external access. The building provides large-scale accommodation on a scale larger than is typical for a single household, and the owner does not intend for it to be used as the home of a single household, so it is unlikely to be a dwelling.



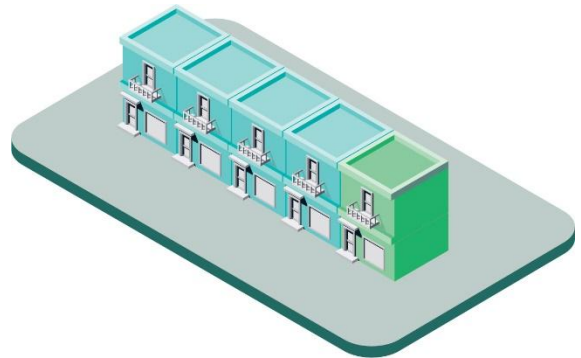
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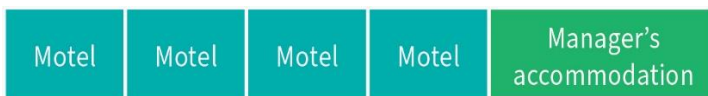
### 5.15 Holiday accommodation and motels

Motels provide temporary or transient accommodation and are not covered under the NHI Act.

The manager's accommodation may be covered under the NHI Act if it is a dwelling. If the manager's accommodation is part of the same building as the motel units, see Section 5.11 Mixed-use building.



The building cover cap is limited to \$300,000 for the manager's accommodation only.



### 5.16 Fractional ownership residential property

With fractional ownership, the residential property is broken up into a set number of shares and each of these shares is sold.

Unlike timeshares, where each purchaser is given the right to use the property for a set number of weeks per year or at a set time, fractional ownership means the shareholders themselves decide how the property is to be used, including how or when each shareholder can use it.

If the owners are still using the property as a home or holiday home, the NHI Act continues to cover it. If it is going to be used only for a holiday let or solely as a Bed and Breakfast, for example, NHCover generally does not apply.

### 5.17 Long-term accommodation for the elderly

Long-term accommodation for the elderly includes rest homes and retirement villages. These are insured by NHCover because they are specifically included in the definition of dwelling under the NHI Act. See [section 6\(2\) of the NHI Act](#).



### Example 1. Rest home

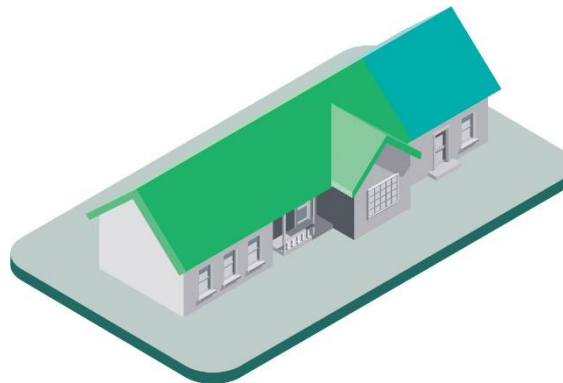
The rest home shown is a single building, containing dormitory-type accommodation and full accompanying facilities. The building also includes self-contained accommodation for the owner/manager.

If the long-term accommodation for the elderly and the manager's accommodation are within the same building, and the insurer was told about both when the policy that includes fire insurance was made or renewed, the building cover cap is \$600,000 (i.e. \$300,000 x two dwellings).



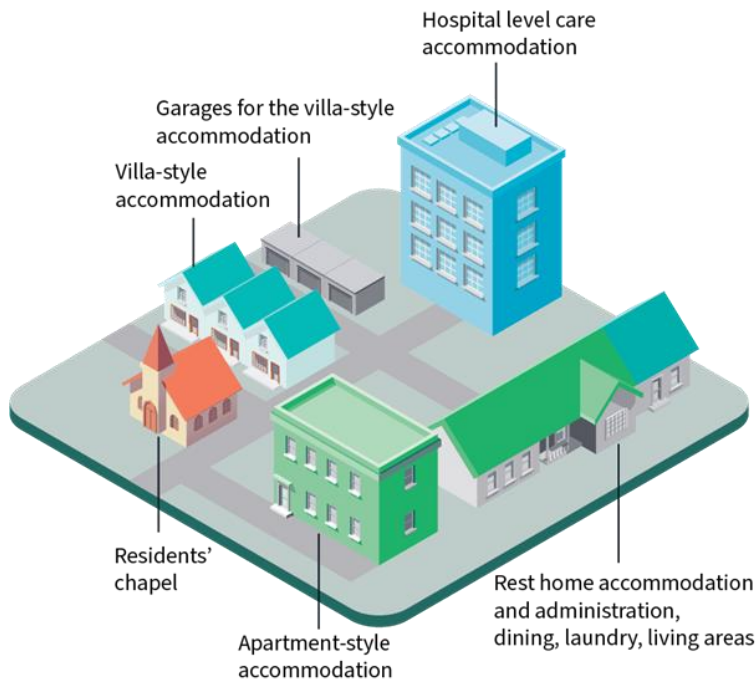
### Example 2: Retirement village

The retirement village shown below is made up of a variety of accommodation types and full accompanying facilities.



Building type	Residential building test outcome	Total NHCover
Villa-style accommodation	One residential building containing three dwellings.	Building cover cap for the residential building = \$900,000 (i.e. \$300,000 x three dwellings, if the insurer was told there were three dwellings in the building).

Building type	Residential building test outcome	Total NHCover
Garages	Appurtenant structure to the villas.	Included in building cover for the villas.
Rest home accommodation and administration, dining, laundry, living areas	One residential building comprising one dwelling.	Building cover cap for the residential building = \$300,000 (i.e. \$300,000 x one dwelling).
Hospital level care accommodation (i.e. a higher level of rest home care)	One residential building containing one dwelling.	Building cover cap for the residential building = \$300,000 (i.e. \$300,000 x one dwelling).
Residents' chapel	Appurtenant structure to the entire retirement village complex.	Included in building cover for the retirement village complex.
Apartment-style accommodation	One residential building containing four dwellings.	Building cover cap for the residential building = \$1,200,000 (i.e. \$300,000 x four dwellings if the insurer was told there were four dwellings in the building).



## 6. Paying the NHI levy

### 6.1 Paying the levy

An NHI levy is payable whenever a person enters into a fire insurance contract with an insurance company for a residential building in New Zealand. Where the fire insurer carries out business in New Zealand, the fire insurer pays the levy.

NHI levies must be paid by electronic funds transfer to our nominated bank account within two months after the end of the month in which the fire insurance contract is entered into (e.g. a levy for a contract entered into anytime in January is due by 31 March of the same year).

### 6.2 Offshore placements

Sometimes an intermediary in New Zealand or offshore arranges offshore cover for residential property located in New Zealand.

NHCover still applies in this situation and remittance of the NHI levy is made directly to us.

### 6.3 Calculation of NHI levy

The following dollar amounts are GST exclusive. GST is payable on the NHI levy.

NHCover costs 16 cents for every \$100 of the building cover cap (0.0016%) where the period of insurance is one year.

The NHI levy can be calculated by using the following formula:

$$\text{NHI Levy (\$)} = \text{building cover cap (\$)} \times 0.0016$$

The most common NHI levy amount is \$480 for a residential building containing one dwelling with a building cover cap of \$300,000.

Where the period of insurance is anything other than one year, the levy is calculated pro-rata for the number of days of the insurance cover, rounded to the nearest 5 cents. For example:

- NHI levy = \$480. Period of insurance = 102 days
- \$480 divided by 365 days = \$1.315
- \$1.315 x 102 days = \$134.15

Cover for residential land is included at no additional cost.

## 7. Direct NHCover

If a person has not insured their residential building against fire with a private insurer, they may have obtained NHCover directly from us for natural hazard damage. This is commonly known as direct NHCover.

Under [section 48 of the NHI Act](#), we may enter into a contract to insure both the residential building and the residential land under the NHI Act against natural hazard damage. We may do so if we receive an application from any person with an insurable interest in the property. This contract applies as if the cover were NHCover, subject to any changes made by the terms of the contract.

## 8. Private insurance against natural hazard damage

[Section 87 of the NHI Act](#) provides rules for situations where a property that suffers natural hazard damage is insured by both NHCover and by a private insurance contract covering natural hazard damage. The private insurer's cover under the



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contract can be either 'ground-up' cover or 'top-up' cover. Whether the type of cover is ground-up or top-up cover is determined by the terms of the contract.

<b>'Ground-up' cover</b>	The private insurer pays for all natural hazard damage within the terms of the contract and NHCover covers the balance (within the scope of the NHCover up to the limits specified in the NHI Act).
<b>'Top-up' cover</b>	NHCover covers all natural hazard damage under the NHI Act up to the limits specified in the NHI Act, and then the private insurer pays the balance (within the terms of the contract).

The NHI levy is payable wherever a policy that includes fire insurance is entered into for a 'residential building'. Accordingly, the NHI levy is payable even where there is ground-up cover.

## Residential land

### 9. NHCover for residential land

#### 9.1 Cover

If the residential building has NHCover, certain land on which the residential building is located also has NHCover. NHCover for land is limited to the insured residential land. Residential land is determined with reference to the 'insured person's land'. This means land that the insured person has an estate or interest in, that:

- the residential building is lawfully situated on, and
- is contiguous with, and used or intended to be used as a single residential property with, the land the residential building is lawfully situated on.

It also includes any other estate or interest in land that benefits the estates or interests referred to above.



Generally, 'residential land' consists of the following components:

- 'insured land areas':
  - the insured person's land under the residential building,
  - the insured person's land within 8 metres, in a horizontal line, of the residential building, and
  - the insured person's land that:
    - is part of the main access way to the residential building from the boundary of the insured person's land or supports land that is part of that access way, and
    - is within 60 metres, in a horizontal line, of the residential building,
- 'insured land structures':
  - all retaining walls and their support systems within 60 metres, in a horizontal line, of a residential building necessary for the support or protection of:
    - the residential building, or
    - one or more insured land areas (as described above).

This can include retaining walls and their support systems that are situated outside the insured person's land where:

- the other retaining wall criteria are met, and
  - the insured person has an insurable interest in the retaining wall.
- all bridges and culverts situated on or in land that is:
    - any one or more of the insured land areas described above, or
    - outside the insured person's land but is otherwise land of the kind referred to as the insured land areas and which the insured person has an insurable interest in.

For example, an insured person could have an insurable interest in a bridge which is part of the main access way to (and within 60 metres, in a horizontal line, of) the residential building but is situated outside of their land.

For the purpose of identifying 'residential land', a reference to 'residential building' does not include any service infrastructure that is outside both the eligible building and the appurtenant structures.

Land is not residential land if it is excluded property (see Appendix B: Property excluded from NHCover (or excluded except in limited circumstances)).

## 9.2 How much can be paid out?

The land claim entitlement is the lesser of:

1. the actual loss suffered (which is generally the cost to repair the damaged residential land, the diminution in value of the land, or a combination of both), and
2. the land cover cap, which is the sum of:
  - the assessed market value of the damaged part of the insured land area (or other smaller specified area of land),

### plus

for any damaged insured retaining walls, the lesser of:

- the undepreciated value of the damaged insured retaining walls, and
- the number of dwellings in the residential building multiplied by \$50,000,

### plus

for all damaged insured bridges or culverts, the lesser of:

- the undepreciated value of the damaged insured bridges or culverts, and
- the number of dwellings in the residential building multiplied by \$25,000.

**minus** the land cover excess.



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### 9.3 Bare land

Bare land does not have NHCover. There must be a residential building on the land for land cover to apply.

### 9.4 Multiple access ways

If the residential building has several access ways (e.g. multiple driveways and/or pathways), only the main access way is covered, up to 60 metres, in a horizontal line, from the residential building.

### 9.5 Multi-title properties and easements

It is necessary to determine what is within a property's boundary to identify what residential land areas are insured in relation to a given residential building. For example, the insured area of residential land can comprise land on two or more records of title (RT) if the other estate or interest in land held by the insured person is:

- contiguous with the insured person's land, and
- used, or intended to be used, with the insured person's land as a single residential property.

This can occur where a residential building is built on adjoining sections or where the residential building is built on one section and the adjoining section is used as the backyard or garden. It can also occur where the two areas of land that would otherwise be contiguous are divided only by a narrow area of separation, such as a road. Where two or more titles form a single land holding, residential land does not end at the boundary of the title the residential building is located on. It can extend across to the adjoining title.

The residential land can also include any legal rights held by the property owner over the land of their neighbour. For example, an insured person's property might have an easement over a neighbour's property for a driveway. If this forms the main access way to the insured residential building on the insured person's property, the land underneath the main access way has NHCover even though the insured person does not own it. In this situation, the driveway becomes part of the insured person's land.



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## Appendices

### A: NHCover claims and excesses

**An NHCover claim must be made within two years of the natural hazard damage occurring. However, we recommend customers make a claim within three months of the damage occurring.**

#### a. Making an NHCover claim

In most instances, the private insurer manages new NHCover claims on our behalf and the customer should contact their insurer directly to make their claim.

If the customer's private insurer does not manage new NHCover claims on our behalf, the customer can still make a claim with their insurer, who will forward the claim details to us at [info@naturalhazards.govt.nz](mailto:info@naturalhazards.govt.nz). Alternatively, the customer can contact us directly to make their claim.



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If the customer has direct NHCover, they should contact us directly. They can do this by:

- completing the online form at <http://www.naturalhazards.govt.nz/> or
- calling us:
  - within New Zealand on **0800 DAMAGE (0800 326 243)**
  - from overseas on **+64 4 978 6400**.

The time frame for making an NHCover claim is two years. However, we recommend customers make their claim within three months of the damage occurring because:

- a delay may affect our (or our agent's) ability to assess damage, and
- a claim made after three months may be declined if the delay has materially prejudiced us (or our agent) assessing the claim.

Customers may carry out urgent works if they are able to and it is safe for them to do so. This means making their home habitable and protected from further damage by ensuring it is safe, sanitary, secure and weathertight.

Customers should keep a complete record of all urgent works carried out and copies of any documentation (e.g. before and after photographs, invoices).

**b. Excesses**

NHCover excesses (per event) are:

	Excess payable
Residential building	\$500 x number of dwellings in the residential building
Residential land	The lesser of: \$500 x number of dwellings in the residential building, and \$5,000 (maximum excess).

The figures on this page are GST inclusive.

A residential building is considered to comprise:

- the number of dwellings that the private insurer providing fire insurance was told at the time that the policy was entered into (or before its most recent renewal), or
- one dwelling, if the insurer was not told a number.

### **c. Circumstances where we (or our agents) may decline a claim**

Under the NHI Act, we (or our agents) may decline (or meet only part of) a claim made under any insurance of any property if one or more of these circumstances apply:

- a. the claim is made after the standard claim date (3 months after the date of the earliest damage) and the lapse of time before the claim was made materially prejudices our (or our agent's) ability to assess the claim,
- b. the natural hazard damage has not caused, and is not likely to cause, financial loss to the insured person because:
  - i. the damaged property has been, or will be, reinstated by a third party at no cost to the insured person, or
  - ii. before the natural hazard damage occurred, the insured person intended to demolish the damaged property,
- c. the insured person knowingly gives misleading information to:
  - i. us or a person we have authorised for the purposes of the NHI Act, or
  - ii. the fire insurer in relation to the policy that includes fire insurance or any claim made under it,
- d. the claim (or any part of it) is fraudulent,
- e. the natural hazard damage the claim relates to occurred because of (or was exacerbated by) the insured person's failure to take reasonable steps to mitigate:



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- i. the risk of natural hazard damage to the property, or
  - ii. where the property has suffered natural hazard damage, the risk of any further damage,
- f. the natural hazard damage occurred because of (or was exacerbated by) an intentional act or omission, or the negligence of:
- i. the insured person, or
  - ii. a previous owner or occupier of the property, if the insured person was aware of the act, omission, or negligence when they acquired their insurable interest in the property,
- g. the natural hazard damage occurred because of (or was exacerbated by) a failure by the insured person to comply with any law or legal requirement,
- h. there is damage to any part of a residential building that is not an integral component of the eligible building, or to a retaining wall or a bridge or culvert, and
- i. the damaged property was not constructed in accordance with standards considered appropriate for that property at the time it was constructed, and
  - ii. the damage occurred because of (or was exacerbated by) the failure to comply with those standards,
- i. the record of title (RT) for residential land (or any part of it) has a section 74 Building Act 2004 notification, s 36(2) Building Act 1991 notification, or s 641A Local Government Act 1974 notification on its RT, and:
- i. the notification relates to a natural hazard, and
  - ii. the NHCover claim (or any part of it) relates to damage that is a direct result of a natural hazard of the kind the notification relates to.

We (or our agents) decide whether to decline (or meet only part of) a claim on a case-by-case basis. This is a highly fact-dependent exercise.



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## B: Property excluded from NHCover (or excluded except in limited circumstances)

Some property is excluded from insurance under the NHI Act in all circumstances, while other specified property is only insured in limited circumstances under the NHI Act.

### Property excluded in all circumstances

- Swimming pools, spas, and other recreational baths and structures ancillary to them (unless they are an integral component of, and within, an eligible building).
- Sports fields and courts (such as tennis courts and football fields) and structures ancillary to them.
- Living things (such as plants).
- Drainage ditches and other open drains, channels, tunnels, and cuttings.
- Jetties, wharves, and landings.
- Dams, reservoirs, breakwaters, moles and groynes.

### Property excluded except in limited circumstances

The NHI Act excludes specified property from being covered except in limited circumstances. This property is broadly split into two groups:

- vehicles, and
- property that has been listed in Table 1 of [Schedule 2 of the NHI Act](#).

A vehicle is excluded property under the NHI Act unless it is a dwelling, or, except for the exclusion, would be an appurtenant structure, common property or joint property. The definition of a 'vehicle' includes (but is not limited to) a motor vehicle, trailer, boat or aircraft.

In addition to vehicles, other property set out in Table 1 of Schedule 2 of the NHI Act is excluded from cover other than in limited circumstances. These circumstances are where the property is an 'integral component' of an eligible building or an integral component of an appurtenant structure, service infrastructure, common property or joint property, but does not constitute the **main use and purpose** of the appurtenant structure, service infrastructure, common property or joint property. If the property

**does** constitute the main use and purpose, then both the property and the appurtenant structure, service infrastructure, common property or joint property that it is an integral component of are excluded.

For example, if a fuel tank that is used for commercial purposes is an integral component of a shed, the sole purpose of which is to house the tank, the tank would be excluded under item 11 of Table 1. Further, because its sole purpose is to house the tank, the shed would also be excluded property.

As another example, a free-standing mailbox at the end of a driveway is excluded under item 2 of Table 1, but a mailbox that is built into the wall of a garage (which is an appurtenant structure) is not excluded.

The property listed in Table 1 is:

- Fences
- Mailboxes
- Clotheslines
- Structures used to house animals (such as dog kennels or chicken coops)
- Outdoor cooking facilities
- Paths, driveways, stairs, walkways, and other forms of access
- Paving and other artificial surfaces
- Retaining walls that are not retaining walls for a residential building as defined in [section 18 of the NHI Act](#)
- Other walls and poles
- Bridges or culverts that are not bridges or culverts for a residential building as defined in [section 18 of the NHI Act](#)
- Tanks and other structures that are used to store water, other liquids, or gas, unless they are used primarily by the owners or other occupants of the dwelling for household purposes.

## C: Notifications affecting NHCover

### a. Record of title (RT) notifications

In certain circumstances a notification on a property's RT under [section 72 of the Building Act](#) 2004 or [section 51 of the NHI Act](#) may affect NHCover.



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## b. Section 72 of the Building Act notifications

### Conditional building consents

When a building consent is requested for building work on a property, the local authority is required to consider:

- whether the land is likely to be subject to a natural hazard (as defined in the [Building Act](#)), and
- whether the work will create a natural hazard on the property or make one worse.

The definition of 'natural hazard' is set out in [section 71 of the Building Act 2004](#). This definition does not align with the definition of 'natural hazard' in the [NHI Act](#).

The Building Act 2004 states a building consent authority (i.e. the local authority) must refuse to grant a building consent if:

- the land the building work is to be carried out on is subject to (or is likely to be subject to) one or more natural hazards, or
- the building work is likely to accelerate, worsen or result in a natural hazard on that land or any other property.

However, the consent can be issued if adequate provision has been or will be made to:

- protect the land or building work from the natural hazard, or
- restore any damage to that land as a result of the building work.

[Section 72 of the Building Act 2004](#) states that the building consent authority must grant a building consent if it considers the building work will not accelerate, worsen or result in a natural hazard on the land the building work is to be carried out on (or any other property).<sup>5</sup> However, this is a conditional consent as a natural hazard has been identified.

[Section 73 of the Building Act 2004](#) states that local authority must notify the Registrar-General of Land that the property is subject to a natural hazard and a conditional consent has been issued. [Section 74](#) describes the steps the

<sup>5</sup> See also the other requirements in [section 72 of the Building Act 2004](#).

Registrar-General (Land Information New Zealand) must take when receiving notification from the consenting authority. The outcome of this process is that a section 72 notification is recorded on the RT.<sup>6</sup>

### Why the notification is added

The Building Act 2004 allows a local authority to grant a conditional building consent, in some circumstances, where the land the building work is to be carried out on is subject (or likely to be subject) to one or more identified natural hazards.

A section 72 notification (or 'entry') is added to the RT by the Registrar-General of Land whenever the local authority has granted a conditional building consent.

The notification alerts prospective purchasers and others with an interest in the property, such as lenders and insurers, that the land is subject to a natural hazard. It also specifies what the natural hazard (or site hazards) are.

In the past, similar provisions were in effect under section 36(2) of the Building Act 1991 and section 641A of the Local Government Act 1974 (both now superseded). These notifications still appear on some RTs and have the same effect as a section 72 notification, although notifications under these superseded provisions do not always identify the natural hazard concerned.

### What a section 72 notification means for NHCover

If a property has a section 72 notification on its RT (or a similar entry under section 36(2) of the Building Act 1991 or section 641A of the Local Government Act 1974) and a claim is made for damage that is caused by the type of natural hazard (or hazards) that caused the entry to be made, we (or our agent) have the discretion to:

- meet the claim in full
- partly meet the claim
- decline the claim.

This provision is set out in [section 77 of the NHI Act](#).

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<sup>6</sup> This summary provides an explanation of the process for the majority of cases. For scenarios involving owners of Māori land or where the Crown makes an application for consent, these sections of the Building Act 2004 set out further detail.

In deciding, we (or our agent) consider the particular circumstances of the property, the details of the notification and the claim.

If the claim is related to damage from a natural hazard of a different type from the natural hazard that caused the entry to be made, the declinature ground does not apply.

### c. Cancellation or limitation of NHCover

In certain circumstances, we may:

- cancel NHCover for the property, or
- limit our liability for future natural hazard damage.

#### Cancellation under the NHI Act

After the claim is cash settled for the building cover cap and/or land cover cap,<sup>7</sup> we (or our agent) may contact the customer to ask about their progress with the repairs or reinstatement. Examples of progress include a building consent application being submitted or a builder, engineer or other contractor being engaged. We may cancel NHCover under [section 49 of the NHI Act](#) if:

- there are no reasonable steps that the insured person could take to replace or reinstate the damaged property, or
- there are reasonable steps that could be taken to reinstate or repair the damaged property, but they have not been taken, and sufficient time has lapsed since the claim was settled to give the insured person a reasonable opportunity to take those steps.

#### Limitation under the NHI Act

We may limit our liability for future damage under [section 50 of the NHI Act](#) if we consider:

- it is likely the property will suffer further natural hazard damage of substantially the same kind the property originally suffered,<sup>8</sup> and
- the insured person could take reasonable steps to mitigate the risk of future damage but has not done so.

<sup>7</sup> In accordance with the specifications set out in [section 49\(1\)\(b\) of the NHI Act](#).

<sup>8</sup> Of the type specified in [section 50\(1\)\(a\) of the NHI Act](#).

## Cancellation or limitation under the EQC Act

Cancellation or limitation of EQCover continues to apply as if it had been effected under section 49 or section 50 of the NHI Act where:

- before 1 July 2024, we cancelled EQCover or limited our liability for future natural disaster damage (under Clause 4 or 5 of Schedule 3 of the EQC Act), and
- on 1 July 2024 the cover had not been reinstated or the limitation removed.

### How is the cancellation or limitation communicated?

If we cancel NHCover or limit our liability, we must give:

- the insured person written notice advising them of the cancellation or limitation (and the reasons for it), and
- the Registrar-General of Land a certificate (under [section 51 of the NHI Act](#)) to place on the RT.

Where we have cancelled EQCover or limited our liability before 1 July 2024 under the EQC Act, the certificate given to the Registrar-General of Land will be registered on the RT under [section 28 of the EQC Act](#).

The certificate alerts prospective purchasers and others with an interest in the property, such as lenders and insurers, that the NHCover has been cancelled or limited.

### Getting a section 51 (or section 28) certificate removed from a record

The cancellation or limitation remains in place until we receive an application for the NHCover to be reinstated, and we subsequently consider that the cancellation or limitation should no longer apply. This applies even if the property is sold or a new policy that includes fire insurance is entered into.

To get NHCover reinstated, any person affected by the cancellation or limitation needs to provide us with evidence that the repair or reinstatement works have been undertaken to the requisite standard.

We then notify the Registrar-General of Land to remove the section 51 certificate (or section 28 EQC Act certificate registered before 1 July 2024) from the RT, and send the owner written confirmation when this has been done.

**Contact information:**

**Email: [nhcover@naturalhazards.govt.nz](mailto:nhcover@naturalhazards.govt.nz)**

**Phone: 0800 DAMAGE (0800 326 243)**

**More information on our website**

**[www.naturalhazards.govt.nz](http://www.naturalhazards.govt.nz)**

