



## *Discussion Forum*

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From: **Business Day** (stuff.co.nz)

### Summerset to pay units' full value

HAMISH RUTHERFORD

Retirement-home operator Summerset says it has overhauled its insurance policy so it can pay out the full value of units in the event of a natural disaster.

The company believes the move puts it at the front of the industry, which is coming to terms with insurance problems highlighted by the Christchurch earthquake.

Residents who invested in units at the Kate Sheppard Retirement Village in Christchurch, which was destroyed in the February disaster, face getting back much less than their original investment, with insurance covering the cost less depreciation and management fees. There are reports that some residents face losses of \$50,000.

Summerset chief executive Norah Barlow said following the earthquake the company began reviewing its disaster-recovery policies.

Though it concluded "pretty much immediately" that it had to offer full market value of the units, it took several months to restructure its insurance policy.

The company said that if a disaster made one of its sites uninhabitable it would immediately rehouse residents and attempt to rebuild as close to the original site as possible. If this could not be done, it would repay the units' market value.

Summerset's insurance bill is rising from \$450,000 a year to \$600,000, partly due to the added commitments, and partly because of higher insurance rates in general as a result of the disaster. The company, controlled by Sydney private equity group Quadrant, operates 12 retirement homes throughout the country, with several more being built or in the planning phase. The new commitment covers just under 1600 residents who have invested in units or rooms.

Summerset claimed the decision was unprecedented in the industry.

David Kerr, chairman of Ryman Healthcare, New Zealand's largest retirement care company, said it had changed its policy more than five years ago to one of paying out "full market value" in the event of a disaster, although this appears to be to pay out a minimum of the initial cost of the unit, with more paid out if the insurance covers it.

"We pay out either what the resident paid to the village, without deferred management fees ... and if the insurance company pays out more than that, then we pay that out to the resident as well," Dr Kerr said.

Metlife, New Zealand's second largest retirement care company, could not be reached for comment.

**- BusinessDay.co.nz**

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