

MAS Client Member Meeting: Questions

5 November 2014

Governance and Management

1. *'Under my watch the company has come through the Global Financial Crisis, the Canterbury earthquakes and a period of significant regulatory change, and we remain in good shape having preserved our Standard and Poor's A- rating. Through all this we have continued to focus on Member satisfaction and we place this ahead of profits when evaluating our performance.'*

Richard Tyler, Chair of the Board, notice of MAS 2014 AGM

What measures have been taken to keep the board informed of MAS operations in Christchurch? (eg what reporting, how regularly, how comprehensive?)

2. Has the Board ever been made aware of the current level of dissatisfaction with MAS performance? Collectively or individually?
3. What is the Board's response to the knowledge that significant numbers of Christchurch members lack the belief or have that same trust in the MAS brand and now seriously question its brand? What is being done to restore and strengthen this previously blue chip brand?
4. Why is there a culture of on-going delays and deferments? What are the factors involved? Is MAS awaiting court decisions? Reinsurer payments?
5. MAS lawyers in Wellington have proven hostile and coercive – eg demanding sign-off on agreement within 10 days by threatening non-engagement -- and have been described by other lawyers as unprofessional. Will the Board do anything to review their legal services and what would it take to get them to do so?
6. The CEO has been quoted in the NZ doctor in September 2013 stating that the insurer is committed to completing its programme of repairs and rebuilds by the end of 2014. What is the more realistic timeframe?
7. Why are deposits being made into member's bank accounts as "settlement" unilaterally without consultation and proper process? And upon challenge, these payments are being referred to as progress payments? Yet the documents in some cases do not reflect this, please explain?
8. What action would the board take if a member of the management team ignored a chartered engineering report that required a rebuild on the basis that the dwelling was structurally unsound and unsafe to occupy? Specifically if this point was proven in or out of court.

Financial Issues

9. Can the CEO and the Board provide an absolute guarantee that the company is able to pay each and every unresolved claim the entitlement they are owed under the terms of the policy?

10. If so, in what financial position does this leave MAS afterwards, and what would be its ability to cope with another similar or larger future event such as an EQ hitting Wellington?
11. What is the current position with regard to the reinsurers?
12. Have re-insurers indicated a limit to the replacement claims which would negatively impinge upon MAS management to comply with the policy wording at the time of the event?
13. What if any financial inducements or understandings have MAS management been offered or accepted in consideration of decreasing re-insurer liability?
14. Are the rest of MAS services/operations assured of independent funding support?
15. What additional provisions have been added to the estimated final cost of the reinstatement programme, as referred to by the MAS Chair in the 2014 annual report?
16. How many EQC over-cap referrals has MAS received in 2014 up to the end of September 2014?
17. What is the estimated cost of these referrals for reinstatement?
18. What is the additional risk margin within the claims estimation process projected for 2014-15?

Policies

19. Why has MAS not complied with its obligation under the policy to pay compensation to its members for their losses?
20. MAS members all have the same policy, but claims being looked at now appear to be being treated and settled to noticeably variable standards and outcomes than earlier – why?
21. Given the lengthy delays, does MAS intend to provide a discount on premiums or a pay-back for those houses which have yet to be repaired or rebuilt? Does it have a policy for premium rebates or paybacks for houses deemed rebuilds?
22. Why are some rebuilt homes in Christchurch now being asked to provide a valuation on their new home so that an agreed value for total sum insured noted IS the policy schedule? Why is this happening?
23. Why are there disparities with what Christchurch is being offered compared to the rest of NZ when it comes to full replacement in the event of a total loss?
24. Other insurers have paid “stress payments” in good faith as a result of systemic process delays or when they have found to have caused unreasonable stress due to unintended consequences – what is MAS track record in this regard?

Betterment

25. *The MAS policy states full rebuild and repair to as new. BECA has been citing “betterment” as an “inevitable part of the repair process” (Stokes, 22/03/11, Aurora Centre meeting) but is costing in items which should be part of a standard refit or, more commonly, proposing minimal possible restoration.*

26. Explain the definition of “betterment” as used by MAS/BECA, and clarify/justify what is and is not included in its usage when applied to repairs/rebuilds.
27. Why is this being used to prevent home owners from maintaining/improving their houses as part of a repair/rebuild?
28. Why were unrealistic expectations as to house improvements aided and abetted by MAS staff early on during the reinstatement process resulting in disparities in outcomes for members?
29. Who is driving the minimalistic assessment/payment option -- BECA or MAS?
30. Why are incidental items/surprises being treated as betterment, rather than contingency?

Repair/Rebuild Management: PMO relations

31. What made MAS decide on BECA as PMO?
32. Is it exclusively committed to BECA or can an alternative PMO be appointed to provide a choice?
33. Would MAS/Beca EQ recovery teams be interested in spending time with Southern Response/Arrow senior EQ recovery staff as a learning opportunity?
34. How much have BECA been paid to date and what proportion has been spent on completed claims?
35. Why is it taking a long time for builders to be paid, such that work remains uncompleted? Is it incomplete paperwork, poor accountancy practices or lack of money?
36. BECA’s assessments and costings are often significantly lower to third-party ones, and those which have been accepted have seen significant cost over-runs -- how does BECA plan to rectify this to restore trust in their capabilities to accurately cost repairs and rebuilds?
37. There have been serious issues with the lack of professionalism of BECA staff – what does the company plan to do to improve this? What oversight will MAS provide to ensure that this happens?
38. What support will the Board be giving to MAS members to ensure they are treated professionally and in reasonable time?
39. Has the board initiated an audit of Beca performance similar to the one commissioned by the board of Southern Response to KPMG for Arrow International? This KPMG review involved an audit of the performance and value for money for the benefit of all stakeholders – what has the board done in regard to this matter?
40. What are the key performance indicators for Beca performance?

41. Given that other insurers are further ahead with their reinstatement programme and additional expertise is available – what steps is the board taking to provide management with the necessary means to contract additional expertise?

Repair/Rebuild Process

42. Will MAS guarantee to act in good faith by accepting tenders for repairs/rebuilds, rather than using these to attempt to force a cash settlement?
43. If MAS intends to continue to ask for tenders and then push cash settlements based on the tender price, will they pay the cost of tendering for those cases where cash settlements are made after the tendering process has been completed?
44. Why are the architects prevented from access to clear policy wording?
45. BECA is driving the design side by telling the architects what to do and how to do it – what liability will BECA be accepting?
46. There are builders undertaking work – in some case for well over 6-8 months – who have yet to be provided a contract – why is that the case and what is BECA going to do to rectify this?
47. Does MAS/BECA accept that a type 2A foundation requirement based on geotech report for TC3 land is NOT betterment under the policy? If not why not?
48. When BECA has asked for and used an independently sourced QS report, why would MAS then refuse to contribute to the cost of that report?
49. Given that MAS has acknowledged the accommodation allowance has been inadequate, what do they plan to do now for people currently out of their houses and out of their allowances as a result of the huge delays by BECA?
50. What is your record of progress with EQC when a member identifies their property as still under cap but yet they are near a water way (subject to Lateral spread) or on TC3 land – how have you intervened and what is your record of successful joint reviews?
51. Why are definitive and clear chartered engineering reports being ignored or re-worked up by a different engineering firm?
52. Why has MAS chosen not to publish on its website monthly progress of claims settled, rebuilds/repairs completed, etc.? Other insurers have done this as a useful guide as to progress for its customers.
53. What proportion of MAS rebuilds have required a deed assignment of EQC land claim?
54. What is the current position on deed of assignment of EQC land claim for MAS rebuilds?
55. Please explain the accommodation allowance entitlement for EQC led repairs? What is the arrangement for rebuilds or major repairs?