

Summary of Major Points of Interest from AMI-Southern Response Meeting

Sumner School Hall, November 7 2012

Please note this is a condensed summary of the meeting; other related material will be made available on the <http://InsuranceWatch.org.nz> website.

Speaking:

Peter Rose – CEO
Ian Currie, Project Leader, Arrow International
Eric Bird, Technical Director, Arrow International
John McSweeney, CERA Liaison Manager

Website: <http://www.southernresponse.co.nz/>

Detailed monthly progress charts:

<http://www.southernresponse.co.nz/progress/southern-response-progress/>

NB Southern Response is **not an insurer**. Once it has completed all its claims, it will be dissolved. In purchasing the original AMI brand, IAG has committed to providing insurance cover for AMI customers, including any renewing up until 5th April 2014; it may well continue past that, but SR has nothing to do with that side of business any more.

Advice

Read your policy and schedule carefully

This is **always vital**. Seek independent assistance or legal advice if there are parts you don't understand. Discuss it with your case manager.

NB SR does **not** have an exclusion for asbestos removal and disposal, and will meet all costs associated with that. Architect/professional fees may be included.

Talk with Southern Response/your case manager

Some case managers may not be as forthcoming as others. Persist, and/or go up the chain.

If you have any questions or concerns, eg nature of replacement, type of materials for a rebuild, house design, professional fees etc, contact your case manager.

Physical meetings can be more effective than phonecalls.

If you're not happy with the response, talk with the Pod team leader. If you want to change case manager, try to provide specific examples of why you are unhappy with them. Ditto with regard to project managers (NB bear in mind there are limited personnel). The starting point for both a change to case manager or project manager is with the Pod team leader.

SR is waiting on decisions from customers to start on process. Be proactive in considering your options.

Assessments: Southern Response believes everyone who is known to them as being over EQ cap has been assessed. In most cases a decision pack has been sent out. Contact them if you haven't and ask to be sent one and assigned a case manager.

Prioritisation: If you are a "vulnerable" (ie house uninhabitable, elderly, disabled, young children), tell your case manager so that you can be giving a priority rating (Southern Response reserves 10% of its active queue structures to provide targeted queue-jumping for such folk, and is prioritising within six-month blocks.)

Scope information: Ask to see your scope of works, termed a DRA, and check it carefully. Request a Trades Summary for more detailed information and costings. This is particularly useful when looking to buy another house or undertaking your own rebuild or repair.

Premium Rebates: If over cap or your house is uninhabitable, you may qualify for a 50% premium reduction which can be backdated to Sept 5 2010. Ask about this. Continuing with premiums has its uses in terms of making mortgage lenders happier, preserving EQC cover and legal liability protection.

Engage and be prepared to negotiate

Although policy documents are pretty hard and fast, there is room for flexibility on a case-by-case basis. Be prepared to do so.

Such flexibility can cover such things as use of materials, “like for like”, fees, salvage etc. It may help to have specific professional advice, whether legal expertise or builder/QS opinions. [IW strongly recommends seeking legal advice/support when it comes to negotiation and cash settlements.]

Examples of possible negotiable items:

SR can reduce the value of the house settlement and put the amount towards the cost of rebuilding a retaining wall (where the wall is not shared) – AMI does not provide cover for retaining wall; EQC provides indemnity/market value, not replacement cost.

If a property costing is under dispute with EQC and the customer has elected for buy/build, SR will advance the figure they have determined so that purchase can take place, take on a Deed of Assignment over the property, and fight the case with EQC itself.

EQC Issues

If EQC has scoped your property as over \$83,000, let SR know. This is the threshold where the insurer can become involved and reassessments undertaken. This is particularly important for TC3 land, as that can have a significant effect on foundation costs/design.

If SR has a claim lodged by the client and their assessment looks to be above cap, they will “try to drag claims from under to over cap”. SR have been proactive in this area, customers are advised to contact SR and provide as much supporting evidence as possible to compel their involvement. SR estimates around 1,000 claims of this type are being held by EQC.

Comments

Basic Numbers

SR is the only insurer to make detailed figures of its progress publicly available. See the table here:

<http://www.southernresponse.co.nz/progress/southern-response-progress/>

As of October 31 2012:

Residential market share in Canterbury	32% of residential over cap
Liability/no of claims	6,657 currently notified

Out of scope claims (eg pathways, drives etc): 18,000-21,000.

252 completed, expects full completion by 2017

Many require EQC land damage issues to be sorted first eg hill retaining walls

In Design-Documentation/Construction phase: 840 (14% of total)

Rebuilds completed: 38

Expected timeframe to completion: mid-2016 for all rebuilds (including TC3)

57% of over cap customers have made a settlement election decision (21% of these have opted to buy another house – 80% of them within Canterbury)

SR has 10 Pods spread across Christchurch based on geographical locations – usually means shared problems, similar situations in each locale. Each Pod feeds into the process queues (ie design.build) on an equal footing.

Pod 11: Technical Review and Resolution Pd: for “beyond the norm: complex technical issues, dispute resolution: problems that go to Pod 11 are currently being decided 60:40 in favour of the customer

Pod 12 Arrow: similarly organised.

All “big action” claims (eg over cap, out of scope) are handled in Christchurch; the remainder (eg contents, temporary accommodation issues) are handled in Auckland.

Process

- **Assessment:** resulting in a DRA; 99% completion, remainder to allow for further claims coming in from EQC on a regular basis (typically 60-70 customers)
SR says the DRA costings are accurate and realistic, and inflation-adjusted, but it’s important to go through them carefully and confirm that everything that should be noted has been noted.
If further damage occurs between assessment and detailed scoping for repair, this should be notified and incorporated in repair plan.requirements
SR does not expect to have any rebuilds reclassified as repairs (only if the initial assessment was wrong)
- **Decision Pack:** listing customer options, should include information on all options, such as buying another house, and the cost of rebuilding on the original site
Cash settlements: not a major focus for SR: options focus on rebuild (via SR or via customer opt out; on site or at another location), purchase of another house, or market value cash settlement (ie cost of rebuild minus depreciation – **not** cost of actual rebuild)
- **Decision Stage:** customer chooses which option to settle with; SR is keen to engage with customers to get them through this stage and into actual rebuild/repair phase
- **Pre-design:** claims are queued here for settling EQC issues (eg endorsement, joint review; see below for more details), geotech requirements (if any)
Other major issues: land settlement, land surveying, weathertightness, cross leasing, retaining walls, landslides, flooding, heritage, asbestos, uncontrolled fill, infrastructure
Specialist teams have been set up for each issue to make faster progress; some claims may have multiple issues to deal with
- **Design/Documentation:** queued for design work and related documentation such as building consent; generally expected to take 3-6 months depending on the complexity of the home
Flood Level Requirements: as required by CCC
If the house being lifted for major foundation work, then will need to meet new height requirements
Minor work may not include such lifting; determined on a case-by-case basis
Detached garages have no Flood Level Requirements
Architect design: if the original house was architecturalall designed, then the replacement will include architect design fees; if standard, then not; need to be aware of this being a three-way relationship involving the insurer
- **Construction**
- **Completion**

TC3 : “not a death sentence”

TC3 land decisions are taking longer; 40% of SR's TC3 people have made a decision. SR has sent out 600-700 letters to check on TC3 landowners who have received a decision pack but who are yet to make a decision. A response is needed to get into the process queues. SR expects to cover foundation costs, so progress does not require the results of geotech drilling in order for a decision to be made.

SR is keen to get started on design work and builds before resource demand really bites.

“Cantabrian” proposal: basic design parameters for rebuilds on TC3 land involving “TC3-friendly” elements such as a standard footprint, suspended floor, detached garage, lighter weight cladding and roofs, appropriate foundation. Seen as more robust, safer, more readily repairable in the event of further quakes, more likely to remain insurable.

NB This does not represent a forced choice; negotiation over individual elements/design is possible: “come forward and talk to us”. DBH guidelines do allow for two-storey homes on TC3 land, but may require variations in materials

A TC3 show home should be available for viewing in February 2013, demonstrating foundations, cladding, wall cores etc.

Geotech

“You have to understand the ground conditions before you build there.” “The vast majority of cases are buildable.” “You don’t have to wait until the drilling is done to decide an option. If the land is not rubbish, you can make a decision before drilling occurs.”

Properties may not require site-specific drilling if the land is known to be consistent across an area or if there is data from neighbouring properties. If within 100 metres of the river and concerns are raised about lateral spreading, then site-specific geotech may help in identifying land suitable for rebuilding on.

If the land on a site will not support a dwelling, SR will not provide compensation; EQC are responsible for that.

SR is doing its own geotech work and is sharing information with the Canterbury Geotech Database, giving it access to EQC drilling data. Over 1,100 drilling cases have been completed citywide, with 170 in TC3 areas.

SR has called dibs on EQC’s resources when the latter is finished with them, expected to be early next year. SR expects its own geotech programme to be completed by the end of 2013; currently drilling 80 sites per month.

If a client undertakes private drilling, it’s important to ensure it meets the DBH requirements.

EQC

There are differing views on repair methodologies with EQC, apportionment and event allocation, which can affect the EQC endorsement.

Where disputed, these cases go to joint review. SR has 16-20 staff involved fulltime in this, with 1,000+ claims under reviews and “hundreds” still waiting. At 40/week, the backlog with EQC is such that they don’t expect to complete the joint review process until mid-2013.

Of disputed claims, SR’s calls are gaining “decision in our favour” at around 90%+.

SR is receiving notification of claims when they go over cap, but cannot action the claim until EQC makes the over cap payment to the customer.