

## Summary of Major Points of Interest from IAG Meeting

Coastal Hills Cluster, 7.30pm Sumner School Hall, June 12 2012

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

Speaking for IAG:

Renee Walker, Head of Communications, Canterbury Recovery

John Archer, General Manager (Commercial), NZI

Annette Purvis, General Manager, Canterbury Recovery Personal

Plus additional customer sales service staff from the various individual companies within the IAG grouping: State, NZI-Lantern, IAG-Banks (ASB, BNZ, Cooperative Bank)

PMO: Hawkins –organising rebuild and repair services (IAG is doing the scopes now)

AMI: Southern Response is handling all AMI earthquake-related claims and is a separate entity; they were not directly represented at this meeting.

IAG Claims flowchart: <http://tinyurl.com/IAGQuakeClaimProcess>

Press story on the meeting: <http://www.stuff.co.nz/the-press/news/christchurch-earthquake-2011/7099822/Pledge-by-IAG-to-city-clients>

## Advice

### Talk with your case manager

IAG believes that **all** property owners with claims over cap have been assigned a case manager. If you have not got a case manager, contact your insurer and get one now.

Things you may want to check:

- Has your property been “desktop siloed”? (ie has its repair/rebuild status been determined or will further assessment be needed? More info in process section below)
- Your policy wording (eg concerning reinsurance or accommodation allowance)
- Whether you could have priority given to your claim (see process section below)
- Premium refunds in cases of rebuild (see negotiation advice below)
- What’s happening with regard to contract and on-going insurance (see section below)

### Keep an eye on what kind of processes/milestones you have reached

IAG says that all of the processes across their various brands *should* be the same, so there shouldn’t be any differences between the brands.

“There may a communication issue.”

Some of the different experiences that have been reported may be due to differences in individual case managers and their experience/training. See if you can identify the ones achieving better results for their clients, and request a switch if you’re having problems.

### Check your scope or assessment information carefully

You should be provided with the documentation that covers your property’s assessment. If you haven’t got it, ask for it.

Check it carefully for missing or inaccurate information. IAG acknowledges that initial assessments tended to be “incomplete”; some were lacking in details or inaccurate (eg no property identification, no owner or assessor identification, no costings, missing features etc). More recent assessments should be better quality, but it pays to check.

IAG will cover damage relating to weather-related deterioration while awaiting action.

### **Don't be afraid to negotiate or ask about other options**

IAG says it has flexibility with regard to "tweaks" in house repair/rebuilds, so long as there is no change in the value. Consider this when deciding on designs and work.

Special features should be detailed as individual items in your scope of work (eg leadlights, rimu, T&G etc). These should be replaceable with similar materials, but bear in mind exact matches may not be possible; some compromises may be required. IAG is willing to salvage, store and reuse original materials where available. Make sure this is documented.

You can qualify for up to 75% refund on premiums at the time of your rebuild demolition. Ask! If sales staff tell you that you cannot make reasonable changes to your policy (such as reducing your contents coverage), double-check that they understand what you want or speak to a manager. There may be some misunderstanding regarding the level of policy stasis currently in place. There are also on-going changes with regard to issuing or renewing policies as the underwriting teams become "bolder". Ask, ask twice!

### **Manage your Accommodation Assistance carefully**

Check your policy wording regarding your entitlement to Accommodation Assistance. The general case allows for \$20,000 or 12 months, whichever comes up first, but your own policy may vary. The governing wording is that in your policy as of the time of the quake.

You can stop and start the 12-month count over an extended period (possibly as much as 4-5 years if need be), but there will be no further assistance from IAG once that total period runs out; there is no additional assistance relating to additional events.

Check with your case manager whether assistance has been tagged as related to short-term temporary repairs or as part of the longer-term rebuild support, as this can affect your total. IAG will recognise accommodation by family/extended family; will cover caravans etc.

### **You may qualify for prioritisation**

Initial priority focus was on emergency repairs and red zone properties.

Current repair/rebuild plans provide focus on and priority points to:

- "Uninhabitables" (ie where people are forced to live out of their properties): IAG believes that **all** of these should have had an assessment for rebuild/repair completed already. If you haven't had your status confirmed, check with your case manager.
- Age: elderly or families with young children
- Health needs
- People who have decided that they wish to move on and need timely settlement

Ensure that your case manager knows if you fall into one or more of these categories.

### **Talk with others in your situation; keep in touch with your residents' groups**

There may be a possibility for larger-scale operations than on a case-by-case basis (eg grouped remediation for adjoining TC3 properties). This is much easier to mediate with insurers as a united group than with 30-40 individuals acting separately.

(A Halswell example has 21 properties needing remediation; the bulk of these are insured with AML. An area-wide solution is being considered as it may provide a better option and less disruption to residents compared to a case-by-case settlement.)

### **Consult with appropriate experts**

For your own protection, seek out the appropriate legal, financial and insurance third-party experts to provide advice.

Make an independent rebuild easier by selecting a suitably qualified, stable builder. IAG can pre-qualify them and provide contract works insurance; will express reservations if necessary (has not been required yet).

### **Know your options if rebuild/total loss determined:**

Make sure your case manager explains the options carefully and fully. This includes the various possibilities such as rebuild on site or elsewhere; having a third-party build team etc.

## Comments

### Basic Numbers

Completed works	17 rebuilds	18 major repairs	1,236 non-EQC repairs
Construction	51 rebuilds	24 major repairs	447
Preconstruction	353 rebuilds	238 repairs	1,183

“Preconstruction”: where Hawkins/owners are working together and resource consents have been granted. “Non-EQC repairs”: concerning driveways, paths etc

“Not huge” completion rates to date, but IAG expects to ramp that up within the next six months to 85 homes/month, 47 major repairs/month; when in “full swing” to 7 homes a day. IAG expects 70% completion within the first three years, achieving 100% within five years. There are 350 properties close to cap in TC3 areas (ie over the 75% mark). The initial assessments are being reviewed as they were based on a \$20,000 allowance for foundation work which is likely to rise significantly. IAG is undertaking this review without referral from EQC in these cases and expects that “most will fall over to the insurers”.

### Processes

- “Desktop Silo” – refers to IAG’s initial evaluation which tags each claim as repair or rebuild; “desktopping” – refers to IAG’s in-house process for working through info and paperwork to determine status without requiring further on-site assessments
- Preliminary Assessment – an initially very general approach, with a “high-level” estimate; engineer assessment can lead directly to designation as a rebuild IAG has held back sharing these with clients as they were aware there have been problems; experiences cited from the floor included inadequate/missing information, limited experience of assessors, completely wrong property listed in file etc
- Full Scope of Works – full assessment of damage to determine costs and final decision on whether rebuild or repair is more economically sound. IAG is now embarking on full-scale assessments with more experienced team members

IAG acknowledged that “there have been delays for a lot of our customers”. Some initial concerns have been addressed and “an assessment done in September last year is completely different [to one done] today”.

As of the day of this meeting, the company has doubled its advance assessment teams to 22, adding more experienced personnel such as builders and loss adjusters. IAG made a “non-negotiable” (as in guaranteed) pledge of a December 20, 2012 deadline for providing detailed assessments to determine options and informing **all** clients of their repair/rebuild status. From that point, the repair/rebuild timeframe will be determined by a “priority matrix”.

IAG rebuilds will be inflation-protected as they are based on replacement of the square metreage of the home. (NB IAG has noted that many area estimates have been under-stated, but that they are replacing the actual area in any case, on-site or elsewhere.)

### Areas of Focus

TC2 – in areas of low flood risk (ie further than 200m away from streams or rivers)

Hills – just starting in repair/rebuild; has been waiting on rezoning for Hills/White, looking at retaining walls since February

TC3 – waiting on EQC drilling, land damage information and remediation plans. IAG has not decided any official stance on TC3 handling at this stage, but generally supports rebuild where land remediation is possible; has concerns about people leaving suburbs. “We will rebuild if you want to stay...subject to the land being remediated.” If it takes a \$200,000 foundation, “that’s what it takes.”

### **On-Going/Contract Insurance**

Current customers shifting elsewhere will be assessed on a case-by-case basis; insurance will be provided if the new property satisfies a property damage report.

IAG is not accepting new risk at this time for new customers in Canterbury; will change.

Contract works insurance is provided via Hawkins as the PMP; if the property owner uses a third-party builder that insurance can apply provided the designated builder meets IAG’s pre-qualification standards (relating to financial stability, experience etc).

### **Bear in mind there are a significant number of complicating issues**

Things that may slow down your assessment/progress are:

- Land damage  
IAG is waiting on EQC decisions regarding remediation relating to land damage. A June 14 meeting on this is expected to enable repair/rebuild to start in those areas affected. To date, IAG has not undertaken any land testing. It has been committed to the EQC geotech programme, and is now looking to have a parallel process but this has been limited by a lack of operators and resources.  
CERA has developed a shared database that holds geotech information; accessible to insurers, possibly to others.
- Differing views on repair methodologies and costs between IAG and EQC, apportionment and event allocation  
Apportionment remains an issue with attempts to decide on which event caused the damage and where the money applies. The main problem for IAG has been the time it takes to get EQC response back after the apportionment has been agreed upon. IAG has had joint assessment reviews with EQC relating to differing outcomes from differing methodologies and costings. In 75% of the 180 reviews completed, the outcome has been acceptance of IAG’s figures. IAG says the backlog for these is currently 3 weeks.
- Retaining walls  
EQC’s responsibilities for land and retaining walls need to be resolved before IAG can begin to develop a repair/rebuild solution. EQC covers indemnity only; insurers have replacement, and the difference between the two has to be sorted.  
IAG is also concerned about boundary issues where there are shared walls or ROWs, as these will also need to be resolved between adjoining properties and/or involving different insurance companies
- Demands of Reinsurers  
Concerns expressed regarding the reaction of reinsurers to the event and response. IAG must maintain brand value.  
Post-Katrina, reinsurers pulled policies in Florida which had been inflation-proof; NZ and France are the only other two areas which have similar policies.  
IAG cannot go outside the terms of the policy without antagonising reinsurers (ie any red-zoning of land on the hills which leads to a government offer will not be considered a write-off by IAG; only repair coverage will apply in such cases: “If the house can be repaired, that is the total of our liability.”)