

## Summary of Major Points of Interest from Tower Meeting

Coastal Hills Cluster, 7.00pm Samoan Church, June 27 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 Tower:

David Ashe, General Manager, Earthquake Recovery, Tower  
Jason Donnelly, Manager, Earthquake Recovery, Tower  
Anthony Honeybone, Chief Engineer, Stream Group(Tower PMO)  
Stephen Christos, Stream Project Manager  
(Apologies due to illness: Daavid Norriss, CEO Stream Group)

Tower's Christchurch Earthquake Claims page (NB Last Updated: 23 December 2011)

<http://www.tower.co.nz/insurance/claims/christchurch-earthquake-claims>

## Advice

### Talk with your claims handler (it helps to be a "noisy wheel")

Things you may want to discuss:

- Tower has some part-time claims handlers; find out what days your one works
- If you are in the 75% of cap or above \$86K, Tower may be able to deal with you as over-cap (see negotiate section below)
- Whether you could have priority given to your claim (see section below)
- Premium refunds in cases of rebuild (see negotiation advice below)
- If you have been approached by Southern Recon regarding land/building purchase (see Special Interests below)
- Ask if Tower's Rebuild and Repair Pack has been published yet (currently under development, but promised "soon")

If you have problems with your claims handler, ask to talk with the team leader to get reassigned or resolution.

### 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. Tower had some initial problems with some QS/scoping work, specially on the hills, and has addressed this by engaging a more appropriate QS service provider.

You have the right to ask assessors for ID. They should have appointments and identification. Bear in mind they do have a very limited capacity to answer questions during basic scoping, but when in the run-up to starting repair/design work you should be able to get greater engagement and much more detail as additional scoping/amendments will be done then.

### Don't be afraid to negotiate or ask questions

For properties which are uninhabitable and set for rebuild, a 95% rebate should apply automatically at the time of your next premium notification. Check with your claims handler. If you're close to cap (75% or \$86K), Tower should be notified by EQC, but "it's not over-cap until EQC says it is over-cap". Tower will organise a scope if you have not already been seen by Fletchers EQR. If the scope is costed as overcap then a "dual review" takes place with Stream and EQC. If EQC agrees with the overcap status, you are then managed by Tower and EQC will put your claim into queue for overcap payment.

## **You may qualify for prioritisation**

Initial priority focus was on emergency repairs and red zone properties.  
Current repair/rebuild plans provide some prioritisation to:

- “Uninhabitables” (ie where people are forced to live out of their properties)
- People running out of temporary accommodation support
- Age: elderly or families with young children
- Health needs

Ensure that your claims handler knows if you fall into one or more of these categories.

## **Consult with appropriate experts or seek advice**

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

If you have a difference of opinion over your scope, take it to Tower for review. The company will not pay for a second opinion, but may engage a second QS as part of the review process. Tower acknowledges that its initial hill work has required “lots of rework” with a more hill-experienced QS provider (shifting from Stonewood to Miles Construction).

Make an independent rebuild easier by selecting a suitably qualified, stable builder.

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

Make sure your claims handler explains all the options carefully and fully. This includes the various possibilities such as rebuild on site or elsewhere; having a third-party build team etc. Stonewood is Tower’s primary builder but you can choose another as long as they have been accredited through Stream (ie recognised as financially stable, licensed and professional, meeting legal requirements such as OSH regulations etc).

## **Comments**

### **Basic Numbers for Tower**

Residential market share in Canterbury	10%
Completed rebuilds at date of meeting:	5
Expected timeframe to completion:	5-6 years
Liability	well in excess of \$500 million
Tower:	55 staff (Akl/Chch related to earthquake)
Stream (PMO)	50 staff

Tower has had 15,600 claims filed, with this amount rising by 50/week; house claims make up over 12,500.

Tower started with the easy claims to get them out of the way while waiting on assessments, geotech etc for rebuild/repair. Some 7,500 claims have been closed (48% of those received) and \$140 million paid to date. Much of these have related to “out of scope” claims such as driveways, paths, fences and pools; or contents (2,100) and cars (approx 500), accounting for 25% of the projected payout. So “the hard ones are still coming”.

Tower stated that industry data collected by a Crown entity indicates they are at market share or better for repairs and rebuilds completed and in construction but admits to being “somewhat embarrassed” by the low number.

There is no timeframe for claim settlement at this stage beyond the expectation that it will take 5-6 years for completion.

## Processes

*Initial scope:* this is relatively limited, primarily based on visual inspection and data collecting, to provide a first-cut assessment. QS are asked to price up based on the specs of the individual property related to size, complexity, level/nature of specifications etc. This means that there can be differing values per square metre applied, so one property's value may differ from another's.

*Waiting period:* the length of time to the next step can vary depending on the individual circumstances (ie land zoning, remediation, prioritisation etc).

*Repair/rebuild meeting:* detailed examination/discussions are once individual properties are relatively close to the repair/rebuild phase (ie starting construction within the next six months). At that time, Tower may order further assessment if deemed required, such as putting cameras down drains or x-raying foundation slabs for voids or walls for reinforcing. Changes in any codes are incorporated, as are any inflation adjustments. Repair material should match what is extant (eg rimu panelling, aluminium joinery etc) Rebuilds are to provide a comparable version within the agreed-upon budget; NB this does not mean "the same as"; process moves to design and selection of rebuild.

*Letter of Intent:* This limits the amount of liability for Tower, even where a policy includes total replacement regardless of cost.

The amount is the calculated cost of repair/rebuild based on what is considered reasonable and comparable (ie not necessarily exactly the same). Materials/practices have to meet the standards of the Building Act and other legal codes. The letter, in effect, defines the budget for the work, and has to be agreed on and signed for work to commence. It takes inflation into account if need be. It can be challenged. If a letter of intent is used as the basis of a cash settlement, no fees are deducted by Tower from that amount.

*Pre-Construction:* Once the letter of intent is signed to provide a build budget, a project manager is assigned and a builder is selected (does not have to be Stonewood).

### *Possible Delays/Confounding Issues*

Further earthquakes (eg Dec 23 2011) has meant the timetable stretched again long enough for some properties to get outside the "close to" rebuild/repair period, thus requiring another assessment.

A number of issues require resolution with EQC, eg identification as to whether over-cap, provision of settlement figures, land remediation.

## Areas of Focus

Initial focus, chronologically since September 4, 2011:

- Initial claim lodging and safety

- Red zone ("rightly or wrongly")

- Out of scope claims (drives, fences): over half now settled, primarily with cash

- TC3 foundation: holdup while awaiting geotech assessments, EQC decisions

- Repair and rebuild (selecting easiest to get to completion)

- White zone (waiting on zoning announcement)

See above note on prioritisation for current ranking relating to uninhabitables, age etc.

## Special Interest Areas

*Technical Issues:* Questions were raised regarding the appropriateness of chosen repair solutions (eg epoxy resin injection for cracked slabs; tolerances in levelling of floors). Tower expects that such solutions will be recommended in areas where they are justifiable and meets code/Act compliance and Council sign-off as standard consent.

Initial scopes and recommendations will be reviewed as part of the repair/rebuild meeting process for any required technical/informational changes and alternative approaches identified where required. Specific solutions will be recommended for individual properties. "If it can't be used, it will not be used."

*Flood Plain Implications:* Council mapping has indicated that there are substantially more properties which have dropped down than risen. At this point, decisions regarding approaches have yet to be made and these areas have been put in the "too hard" basket in favour of addressing other, easier-to-meet claims.

*Southern Recon:* A number of Tower clients have been approached by Southern Recon with an offer to purchase land or buildings. This company was undertaking assessments for removal or salvage for Tower, but it appears that these offers were unauthorised. Tower would like to hear from clients who have been approached in this fashion.

## Complicating issues

Things that may affect your rate of progress:

- Land issues  
Tower is waiting on EQC decisions regarding remediation relating to land damage. They expect this should be resolved in the next few months. There are also issues around TC3 geotech resources, resolution of foundation solutions, access to EQC geotech results, and other technical and legally acceptable repair solutions. EQC's responsibilities for retaining walls need to be resolved before repair/rebuild can commence in properties affected by those. Hill properties have been waiting rezoning; this information is to be released on June 29. Geological uncertainty regarding future events/risks
- Differing views on repair methodologies and costs between Tower 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. Also how this affects under/over cap determination. The problems of apportionment, and their impact on claim settlement and progress were unanticipated; this has arisen as a result of having an unprecedented run of multiple seismic events. Tower and EQC have had dual on-site assessments and reviews relating to differing outcomes from differing methodologies and costings, and claims a 75% success rate in having their Stream scopes accepted by EQC in such cases
- Infrastructure rebuild: need to coordinate between different parties (ie developers, Council etc); also the availability/time required for new housing developments
- Resource/labour supply  
Tower is concerned about labour supply and accommodation and expects this to become a major issue in 3-6 months. There will be increasing competition for scarce resources; currently this is hardest-felt in the area of geotech expertise and equipment, will move into builders as rebuild progresses