

Notes from Meeting at Sumner School Hall on 30 May 2012

Chaired by David Stringer

Based on a show of hands, the audience included people from across the coastal hills although the majority were from Ferrymead and Mt Pleasant. About 75% were insured with VERO with the rest being insured through AA.

1 **Speaker: Peter Hyde**

1.1 Provided a brief introduction to issues that had been raised with the residents' associations in regard to dealing with EQC and insurance companies.

1.2 Anecdotal evidence gave very mixed reviews from bad to good.

1.3 A survey of residents was undertaken to collect more data on peoples experience with the different insurance companies, specifically to:

- (i) Identify particular problems areas; and
- (ii) Identify sources / reasons for delays.

1.4 A website has been developed to collect more information. Everyone is encouraged to participate in the survey.

1.5 www.insuranceConsumers.org.nz

2 **Speaker: Peter Bloy**

2.1 Made it clear that the repair / rebuild process will be a multi-year process because of the high number of claims and the complexity of dealing with the different dependencies.

2.2 Seismic Risk

- (i) VERO needs re-insurance but it is difficult to get in Christchurch
- (ii) There were few new claims being made after February 2011 event
- (iii) There are still a small number of areas in which it is not possible to progress claims.

2.3 Land Damage

- (i) Further investigation is still required in some areas
- (ii) There are still questions over who is responsible for the land remediation costs for specific sites.

2.4 Public Infrastructure

- (i) In some cases, it is not practical to progress a claim until the adjacent infrastructure has been repaired

2.5 EQC

- (i) EQC and insurers have a different perception of costs. Insurer costs are generally repair / replace new for old whereas EQC is repair / replace to reasonable standard.
- (ii) This is complicated by the need to meet current building standards.
- (iii) Typically, a joint review process is required to agree costs.

2.6 Apportionment

- (i) The main issue is how costs are allocated to events.
- (ii) This is a manual process and can be time-consuming
- (iii) Insurer will not get involved if claim is clearly under-cap.

2.7 Retaining Walls

- (i) As ever, it's complicated!
- (ii) Need to be an essential part of the building structure to be covered by EQC.

2.8 VERO Status

- (i) Currently has about 5,000 projects to handle
- (ii) 80% are still in the decision process
- (iii) The number moving to repair / rebuild status is increasing but contractor supply is likely to be a constraint shortly.
- (iv) It is not necessary to wait for a decision to start repair / rebuild but you do so at your own risk
- (v) There are few restrictions on how insurance funds are used in terms of rebuilding in a different location, housing style or cash payment.

3 **Speaker: Chris Pile**

3.1 MWH MainZeal were selected for project management of claim repair /rebuild projects following the September 2010 earthquake. There were only a small number of claims at that time.

3.2 Currently, MWH are dealing with

- (i) 3,500 domestic repair / rebuilds
- (ii) 5,000-6,000 other minor repair projects
- (iii) 1,800 commercial properties

3.3 About 4,000 re-instatement reports have been completed, primarily for red-zoned properties but the focus has now moved to green zoned properties. These have been prioritised by customer needs.

3.4 Next challenge is finding sufficient contractors to do the necessary work.

3.5 Easiest claims are those classified as total loss. Incremental damage from each event requires repeat assessments and the nature of claims can evolve from repair to rebuild.

- 3.6 Of the 3,500 domestic claims, there will be a discrepancy in the estimated repair costs between EQC and Insurer in 2,000-2,500 claims. Many of these claims will ultimately be under-cap and will be dealt with by EQC.
- 3.7 Where a discrepancy exists, EQC and the insurer hold a joint meeting to identify the source of the discrepancy. Resolving the discrepancy is critical to determine whether a claim is over or under cap.
- 3.8 Sometimes a desktop review is sufficient to resolve the discrepancy but it often requires a repeat, joint inspection to agree costs.
- 3.9 Currently, MWH are processing about 40-50 claims a week but hope to double this soon.
- 3.10 There are still delays associated with repair / rebuild of TC3 properties because the foundation standards need to be confirmed.
- 3.11 Once a claim has been confirmed as over cap, a scope of work will be agreed with the claimant. Claimant can use their preferred contractor to complete work with agreement from MWH.

4 Comments from Questions

- 4.1 VERO use a model called CHIP (Christchurch in Progress) to help define time lines for claims. CHIP takes account of the multiple dependencies affecting a claim.
- 4.2 VERO uses a different risk profile to other insurance companies.
- 4.3 The claims team was initially located outside of Christchurch because it was considered to be a lower risk option. There are plans to move some of the claims team to Christchurch.
- 4.4 The main hold-up for all claims is resolving discrepancies in reinstatement costs with EQC.
- 4.5 VERO need building consents to be implemented quickly, typically within 6 months
- (i) Early demolition of property can affect existing use rights unless a rebuild is undertaken promptly
- 4.6 Hardship claims
- (i) VERO treats each case on its own merits
 - (ii) Always contact VERO first – there may be options for assistance that the claimant is not aware of.
- 4.7 Red-Stickered Houses
- (i) In some cases, CERA has not allowed access so it has not been possible to prevent unnecessary damage, e.g. weather damage.
 - (ii) Contents can be removed if it can be done safely.

- 4.8 VERO will provide replacement items / materials but they will not necessarily be identical.
- 4.9 The time taken to get to rebuild can be very long but VERO is trying to reduce this.
- 4.10 Cash settlements can be taken at any time prior to repair / rebuild starting. It will be based on market value.
- 4.11 VERO is working through all its claims with an EQC / Insurer discrepancy.

5 Open Questions

- 5.1 Why was the insurance premium for an uninhabitable house (due to rock fall) increased? Very vague answer. VERO still has to insure property and you can always change your insurer!
- 5.2 VERO operate many companies and all their policies are different – how do you apply a consistent approach to the repair / rebuild process? VERO adopt the same approach to all claims based on DHB guidelines. Policy differences are generally minor and do not affect property repair.
- 5.3 Contact insurance advisor to determine what repair costs should be allocated to EQC or insurer.
- 5.4 Time lines for rebuilds will remain uncertain for some time.
- 5.5 CHIP provides an indicative time frame for individual addresses.
- 5.6 Which hill areas are subject to ridge line amplification? The ground accelerations in some areas were much greater than expected given the size of the earthquakes. This is still being investigated but it is suspected that it was the result of vibrational waves being focused into small areas such as ridge lines.
- 5.7 Properties in hillside areas are likely to be repaired further into the future because of the additional complexity associated with land remediation and retaining walls.
- 5.8 What is the threshold for repair / rebuild? There is no single threshold. It is governed by the scope and complexity of work for re-instatement.
- 5.9 What are the circumstances for a hardship payment? Depends upon individual cases and you should contact VERO directly.
- 5.10 A ground survey in Brookhaven indicates that firm ground exists 18-20m below ground level – is this suitable for rebuild? Yes but solution would not be deep piles – more likely that a gravel raft would be recommended. It was noted that this would not prevent liquefaction but should minimise future damage from liquefaction.
- 5.11 VERO are undertaking their own geotech investigations in parallel with CERA
- 5.12 Why is the insurance premium not affect by the state of the house? VERO still need to insure the original property and to allow for full reinstatement. Premiums are based on floor area. It is possible to apply for a reduced premium.

- 5.13 Can we have access to reinstatement report? Reports can be provided but cannot be used to as a scope of work – it is not a quotation and is purely a means to determine whether a property claim is over or under cap.
- 5.14 Will VERO be doing their own geotech assessment? MWH will undertake additional investigation if the available information is not sufficient for a resource consent application.
- 5.15 AA have indicated a pre-construction date of late 2014 is likely – why is this so far away? Need to contact AA to understand their dependencies.
- 5.16 New insurance policies typically state a cap of \$2,000 per metre. Can this be changed? Yes
- 5.17 Can you specify what is covered by the insurance costs? Yes
- 5.18 Repairs / rebuilds on hillside properties will be complicated by the need to repair retaining walls first. In some cases, this requires access and repair on adjacent properties to be undertaken first.
- 5.19 VERO have reduced a premium because it stated that a house was uninhabitable but it is not clear why. Need to contact VERO to find source of assessment.
- 5.20 Who is responsible for the scope of work? This is based on the reinstatement report and then agree with the claimant.