

Summary of Major Points of Interest from Vero Meeting

Coastal Hills Cluster, 7.30pm Sumner School Hall

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

Representing Vero:

Peter Bloy, head of the Canterbury Earthquake response team

Chris Pile, programme manager of MWHMainzeal (MWHM)

Vero earthquake claims team: 0800 808 121

MWHM: 0800 800 383

Advice

Talk with your broker/advisor

Vero provides insurance via brokers and advisors, rather than dealing directly with clients. These parties are responsible for communication; their role is to keep clients advised and answer questions.

Things you may want to discuss:

- Your policy wording and any possible fishhooks relating to your plans
- Whether you could have priority given to your claim (see below)
- If you have a hardship case that warrants additional support or premium discounts (see below)
- If you have unprotected contents in a non-weatherproof (damaged?) home that could be removed safely, then Vero will arrange to remove them

Negotiate the numbers

Vero will provide premium discounts where houses have been destroyed ("deep discounts" were mentioned) or "pretty badly damaged" ("significant reductions"). Figures of \$200 and 20% were mentioned by those who had received them, but *you have to ask for them*.

Grill your broker.

Insured value is based on the square metreage of the house. The standard default is \$2,000/m² but you can have that modified if it suits your circumstances (eg get it upped to \$3,000/m² for more cost coverage). Again, talk to your broker.

Check your policy wording carefully, preferably with an advisor

Vero has around 80 different policy wordings which generally cover the same ground, but the wording may differ enough to result in different Vero customers having different treatments/opportunities, or in your coverage being different to what you think it might be. eg "comparable" does not mean "exactly the same as"

Consult with appropriate experts

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

You can choose to self-manage your own rebuild/repair (ie it doesn't have to be via MWHM). Vero will cover the consultants and builders' invoices, but obviously it rests on you to ensure that any architects, designers, engineers, geotech, builders etc are suitably qualified. You would also need to self-manage contract and on-going insurance (covered by MWHM if they are conducting the rebuild/repair). There may also be solvency issues that need to be canvassed.

Know your options if rebuild/total loss determined:

- Self-manage your rebuild/repair
- Cash settlement (based on indemnity or market value)
- Build elsewhere
- Buy another existing property
- Sell as-is, where-is (NB reassignment of insurance is not guaranteed, check your policy wording carefully)

You may qualify for prioritisation

Initial priority focus for reinstatement reports was for red zone properties.

Other priority groupings are:

- The elderly
- High needs/disabled
- People who are currently living outside their properties

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

Comments

Basic Numbers

- CHIP: Christchurch in Progress: refers to Vero's risk assessment model/process which rates various areas based on assessments
- After 4 September 2010, Vero had 700 homes to deal with; in February 2011, 13,000
- 5,000 residential properties under Vero have been released by the CHIP; six small pockets remain such as on the hill ridgelines and in Heathcote Valley, and are expected to be cleared "soon". (Vero does not provide a map online – the areas change quickly and may even be redundant within a month or so)
- CHIP assessment is on an individual site basis, rather than area-wide
- 3,500 homes have been identified as moderately or severely damaged and over-cap; of those 2,000-2,300 have assessment discrepancies which need to be resolved between Vero/MHWM and EQC
- 80% are moving through the decision points
- Reports have been produced for 1,657 properties
- Vero will "soon" be releasing timeblocks to provide approximate start dates

Reinstatement Process

- Verification/Assessment
Includes a detailed assessment of the damage to see if the property is economically or technically feasible to repair or a total loss

An initial Recommendation Report is followed by a Reinstatement Recommendation Report.

Vero's Residential Reinstatement Reports are expected to be completed in September.

If total loss, then you go straight to choosing an option (see Advice section)

If repair, then this step may be repeated if there is another major seismic event

[NB According to the Vero/MWHM *Rebuilding Canterbury Together* flyer, Vero should discuss the Reinstatement Report with you. Ask your broker.]

- Does a discrepancy exist between Vero assessment and EQC?
If so, this requires a review meeting between them – at present 50-60 reviews/month (up from 5-15 in February), and this is expected to increase to 80-100/month "soon"
About half the disputed assessments are agreed in the meetings; the other half require another site visit; Vero says the joint visits have seen most issues resolved
EQC is taking 4-10 weeks to provide revised estimates

- Preconstruction phase
Scope of works is produced, consents applied for
Vero considers it logical to keep planning work (such as consents applications) as close as possible to reinstatement. Eg if geotech work is older than 6 months, the Council may require it to be redone; if demolition proceeds too early, existing use rights may be threatened
- Construction
- Closeout
Formal handover, including warranties,. Code of Compliance etc

Bear in mind there are a significant number of complicating issues

Things that may slow down your assessment/progress are:

- Seismic risk perception
Vero's CHIP model is being used to identify the risk profile. Most areas of the city have been cleared. The bulk of the remaining in our area relate to ridgeline amplification risks, and are expected to be cleared "soon".
- Land damage
Soft soil amplification requires further investigation and possibly EQC-managed remediation. Some properties with land issues may not achieve a viable CHIP score.
- Public infrastructure repairs
Large-scale infrastructure has to come first before you can start your build.
- Differing views on repair methodologies and costs between Vero/EQC, MWHM/Fletchers
Vero policy wording and the EQC Act can differ (eg Vero's "new for old" vs EQC's "to a reasonably sufficient standard"); the Department of Building and Housing also has guidelines which may not match either.
A joint review may be required to bring the damage designation and costings into agreement
- Apportionment and event allocation
Multiple assessments over 4-5 seismic events by Vero enable greater confidence in event allocation compared to EQC one-off assessments, and provide some hard data for resolution of discrepancies over costs.
Difficulties include balancing continuing reassessment (as required by Vero's reinsurers) and jumping the gun; properties moving from repair to rebuild after multiple events causes further damage. Vero and EQC have to reach a negotiated agreement.
- Retaining walls
EQC's responsibilities for land and retaining walls need to be resolved before Vero can begin to develop a repair/rebuild solution.
(A related issue for hill suburbs or in-fill housing is the need to settle first with houses that are blocking access to your building.)
- Services
Vero is concerned about the likelihood of bottlenecks in services and resources for rebuild.