

CANTERBURY RECOVERY UPDATE



14 November 2012

Background

IAG has 35,000 earthquake-related claims covering 18,000 properties in Greater Christchurch.

IAG has announced it will confirm with all earthquake customers whether their property is a rebuild or repair by 20 December 2012. This will include confirmation whether IAG or EQC will manage their claim.

IAG will complete its rebuild and repair programme by December 2015. We understand this is the earliest of any of the large insurers with a presence in the Christchurch market.

Although the numbers are yet to be finalised, the IAG rebuild and repair programme is currently about 1700 rebuilds and 3000 major repairs (over \$100,000+GST).

Progress

- IAG has already assisted 900 customers into existing homes.
- It will have built 100 new homes by Christmas, and 500 by July 2013.
- It has completed major repairs on 50 homes and will have completed major repairs on 450 homes by July 2013.
- At peak, the programme will deliver 85 new homes a month, and 150 major repairs.
- At peak, the programme spend will be \$50 million per month.
- The new build time is about 42 weeks, accounting for planning and consenting phases, with about 22 weeks actually on site. The repair time averages about 38 weeks, depending on the repair.
- IAG is aiming to complete its rebuild and repair programme by December 2015.

IAG is leading the rebuild, with data (excluding Fletchers) showing IAG rebuild and repair activity is 10 percent ahead of its market share. At one point IAG was leading half of all rebuild and repair activity excluding Fletchers, though this gap has narrowed as other insurer's programmes build capacity.

Prioritisation

IAG is prioritising the rebuild and repair of worst affected customers first, with uninhabitable houses first, then via a range of vulnerability factors similar to those used by the Red Cross. It is envisaged the worst affected customers will be resolved or well into the build phase during 2013.

IAG will initially signal to customers the three month period in which IAG aims to start the work on their home. IAG will ensure it has all relevant information, including drilling and associated geotech reports before progressing and will support customer decisions with additional communications.

Customers are encouraged to talk to their claims case manager to ensure that personal circumstances which may affect their priority status is up-to-date. They are also encouraged to let their claims case manager know if their circumstances change to allow them to advance up the priority list if that is appropriate.



Technical Category 3

About 2200 IAG overcap customers are in TC3.

IAG is working across Christchurch and has announced it is progressing TC3 claims, even where EQC has not finalised a land settlement. IAG is confident this can be achieved in most cases with a deed of assignment over any EQC land settlement. EQC's recent announcement that land settlements will not be complete until 2014 does not affect this programme.

About 1800 properties on the flats and about 540 Port Hills properties require drilling. The IAG drilling programme is geared to meet this need, and will use data shared by EQC and other insurers via the Canterbury Geotechnical Database.

Some properties may not need to be drilled. However, each property will require the oversight of a geotechnical engineer, and they will determine whether a property is drilled or not.

IAG will source geotechnical engineers nationally and internationally to ensure sufficient resource is available to analyse drilling data for structural engineers to be able to design foundations.

Port Hills

IAG has been advised that just over 100 customers' properties in the Port Hills red zone may be permanently subject to a section 124 notice under the Building Act 2004, due to the risk of rock fall, cliff collapse or similar issues. IAG expects some of these notices may still be removed.

Where these dangers cannot be effectively addressed and the notice cannot be removed, it permanently deprives these customers of the use of their properties.

IAG will proceed with claims on such properties by treating them as a constructive total loss under the terms of the respective policy. IAG has sought further information from the Christchurch City Council, and will need to work through each of these claims on an individual basis.

Cross lease claims

Recent media coverage has highlighted some challenges around multi-unit properties with cross lease arrangements.

Tenants in common that do not have a body corporate often have different insurers and often, different levels of damage. This creates issues when resolving claims to the terms of the policy for each individual property, and adds a layer of complexity in requiring agreement from all tenants in common before work can progress on any one property.

These issues are common to all insurers and EQC. Insurers and EQC are working together to develop better processes to resolve these claims. It is important that IAG knows which company insures the neighbouring property(s), and what the status of any claims are. In most cases, the most straightforward thing owners of such properties can do to advance their claims is to talk to their neighbours and provide this information to their claims case manager.



Retaining walls

Shared retaining walls and access can present similar issues to cross lease claims.

The majority of IAG policies provide for top-up payments for retaining walls, above what is paid by EQC.

IAG is working to identify shared retaining walls and those with single owners in order to progress with owners and other insurers where retaining walls need repair to ensure this does not hold up the Port Hills rebuild and repair programme.

Commercial update

IAG has settled \$1.35 billion commercial claims, and completed more than 200 commercial repairs over \$100,000.

Seismic Strengthening of Commercial Buildings

The Insurance Council of New Zealand (ICNZ) has this week filed an application in the High Court for a Judicial Review of the Christchurch City Council process of issuing building consents. The review will test whether the Council is acting within its authority to withhold building consents for repairs where the repair work does not also strengthen the building to at least 67% of the building code.

David Goddard QC will be leading the proceedings for the ICNZ.

IAG customer forums

IAG is running a series of forums for customers in November to further explore the issues discussed in this update.

The next forum is being held on 26 November. IAG customers can reserve a seat by contacting their claims case manager.

