

# INSIDE WORD

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21 OCTOBER 2011

**As Canterbury customers make future plans, we appreciate that there are increasing levels of frustration at delays in the claims process. We're working hard to minimise these as we work through the huge volume of claims. We've recently increased our domestic claims staff and are paying particular attention to claims that have not been progressed for some time.**

Good progress has been made as we continue to get settlement offer letters to customers within the Red-Zone.

The Declaratory Judgement has raised complications and more questions and this has resulted in a minority of Red-Zone settlement offer letters taking longer to get to customers than we'd like. We're working with EQC to resolve these as quickly as we can and we'll keep you updated on progress.

While we're progressively moving more rebuild and repair projects into the construction stage as seismic activity declines, further damaging aftershocks remain a very real risk. Recent sizable shakes in Canterbury illustrated why we must tackle the repair and rebuild with a structured and informed approach. Since September last year our Earthquake Team have been working on a model that factors in a number of criteria and determines which projects can commence. You'll be hearing more about this sophisticated model - so watch this space!

## Geotech reports

There are three situations where a Geotech report may be required. Vero's policy response differs depending on the scenario under which a Geotech report is required.

**SCENARIO ONE:** A Geotech report may be required as part of the rebuild process, either for consent purposes or foundation design. Both are covered as part of the "professional fees" on Business Plan, or "fees and clearance costs" on Maxi Plan.

**SCENARIO TWO:** A Geotech report may be required by the insurer/assessor to understand why the building damage occurred or if it is feasible to rebuild in that area. Such cost is an assessing cost and covered as "assessing fees" under the policies.

**SCENARIO THREE:** A Geotech report may be required by the landowner for some other reason, to understand the nature of the ground or carry out repairs to the ground. As Vero don't insure the land, such a report is not covered by any of the policies.

## MWH/Mainzeal Project Management Costs and Sum Insured

Due to the magnitude of earthquake claims, rebuild partners MWH/Mainzeal are also assisting Vero in this area. Project Management costs for MWH/Mainzeal are treated the same as business as usual claims costs such as assessing, valuers fees and claims handling, therefore are covered in addition to the sum insured.

## Increase in Earthquake Levy

Treasury last week announced an increase in Earthquake Levy from \$0.05c per \$100 cover to \$0.15c per \$100 cover up to a maximum of \$207 (including GST) for house and contents combined, effective from 1 February 2012. This is a positive step to recapitalise New Zealand's natural disaster fund. However, the worrying side to this is that house and contents insurance may become unaffordable for some customers, leaving them either underinsured or uninsured.

Increased levy rates will only apply to policies entered into or renewed after 1 February 2012 and only from the date of renewal or entry (i.e. for a policy that renews on 1 May 2012, the increased levy will only apply from 1 May 2012, not 1 February 2012).

The amendment to this regulation is expected to be available early next week and we're also waiting on clarification around endorsements and cancellations made prior to 1 February 2012 that take effect afterwards. We'll be in touch as soon as we know more.

### Canterbury Earthquake Royal Commission Interim Report

The Canterbury Earthquakes Royal Commission released their interim report on October 10. The report enquires into the causes of building failure as a result of the Canterbury earthquakes, and addresses the legal and best-practice requirements for buildings in New Zealand CBDs going forward.

This is an important document and will help to form the framework that Canterbury and future construction throughout New Zealand will be built around.

Based on expert and technical evidence provided to the Commission to date, the report does not consider private submissions, or reports on catastrophic building failures. These, along with the report on the CTV building will be included in the final report due by April 11, 2012.

The report identifies five key areas and makes recommendations for each:

- Seismicity
- Geotechnical considerations
- Specific building types - unreinforced masonry buildings
- Recommended changes to design practice
- New building technologies

**Click here** to read the full interim report.