

Earthquake Update - In the Media

There have been a number of events in the past week that have grabbed media headlines and got people across the country talking and thinking even more about the situation in Canterbury. I'd like to offer a bit more information about Vero's position on these topical issues.

The first two to generate interest were the opinion piece that appeared on [Saturday, June 11](#) by Canterbury Earthquake Recovery Minister, Gerry Brownlee; and the second was on Business interruption insurance also in The Press. These were followed by the severe aftershocks on Monday, June 13 and to round this off is our decision to support the ICNZ and EQC in seeking a [declaratory judgement](#) over EQC cover reinstatements and related issues.

Unfortunately the situation in Christchurch is now so uncertain that we are unable to begin repair work on any significant scale at this stage but a project team is making good progress on analysing the large amount of seismological and other data that needs to be fully considered before the right time and place to push the go button can be identified. The further severe aftershocks last week simply highlight the problems facing Canterbury as a whole and Minister Gerry Brownlee has announced that some areas in Christchurch are "simply not feasible to rebuild". This announcement came as no big surprise to many Cantabrians, however, what has [upset some home-owners](#) is the lack of clarity over exactly which areas of the city are affected.

Minister Brownlee and the Prime Minister confirmed that plans are in place to retreat from some badly damaged areas of Christchurch. Until the Government makes its decision about these areas and notifies everyone concerned, plans for reinstatement cannot be advanced, especially for properties that may not have land remediation issues but are located within an area that cannot be rebuilt in. In addition to the Government's decision, the ongoing aftershocks make it impossible to carry out permanent repairs and while we sympathise with our customers, we simply cannot proceed until we have more information. Vero is one of the insurers working closely with the Government on insurance issues in the potentially affected areas and we are confident that the way forward will become apparent very soon.

Business Interruption Insurance

Business Interruption claims are receiving increased media attention as financial pressures for some Christchurch businesses increases, particularly those within the cordon. The current Vero settlement approach was communicated on 8 June via [Inside Word](#) (also available on www.vero.co.nz).

While all insurers have their own policy wordings and most work to the same collection of broker wordings, we all have the same requirement to settle claims in a accordance with policy conditions and to satisfy our reinsurers that we have followed proper process. Vero believes that customers and intermediaries are entitled to be clear about the basis on which their claims are settled and for all payments to be consistent with this. For this reason we are investing significant resources into getting this right as we wish to avoid misunderstandings and disappointments such as unexpected reductions of later progress and final payments becoming necessary to compensate for incorrect earlier ones.

Business Interruption insurance can be complex, but Vero is looking for every opportunity to work with customers to deliver the best outcomes we can under the particular policy wording that applies and as part of our ongoing review process to ensure this occurs we recently identified that under some wordings such as the Vero standard policy we were able to widen our definition of losses that could be included in claims calculations.

An issue that remains is the wide variation in the way that Automatic Extensions and sub-limits are structured in various Broker wordings. For example, some have no sub-limits for Prevention of Access, for others it is 10%, for some sub-limits can be stacked (added together), for others, maybe not. We also know that as is normal, not all underwriters see things the same way.

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As our understanding of the claims/risks within the cordon and of the likely future issues develops, we are establishing a clear position on how we believe each separate wording operates under these unique circumstances and will communicate this to those involved very soon.

Declaratory judgement application to the High Court

The Earthquake Commission (EQC) and the Insurance Council (ICNZ) have agreed to ask the High Court to make a ruling on complex questions of coverage arising from the two major earthquakes in Canterbury. This ruling will provide clarity on a matter ICNZ and EQC have been discussing for some time so that we can all proceed with confidence in settling claims, and when the time is right, carrying out repairs and reinstatements.

It is important to note that this application is being sought jointly by ICNZ and EQC. Both parties agree that clarification is needed on how EQC cover should apply to the Canterbury earthquakes and its series of aftershocks.

The papers were filed with the High Court on 15 June and because of this, we cannot discuss the subject in depth with the media or other interested parties.

You can read more about the reasons for seeking this judgement in the EQC's [Press Release](#) and we will provide you with more information once a decision has been reached