

Earthquake Update

MAY 2015

We hope you and your family enjoyed some quality time for Mother's Day. In this update we've got the past month's progress to report, some food for thought about cash payments, and information for Members with claims for external structures like driveways and fences.

REPAIRS AND REBUILDS

Even though we had two short working weeks in April, we completed repairs on five more properties, made nine pre-construction payments, and cash settled one claim during the month.

In this phase we're working through some of our most complex claims and we also continue to receive new claims as they are transferred from EQC. There are now 172 claims to progress compared to 179 last month.

At the end of April we had paid a total of \$205.4 million for claims in our programme, including \$126.4 million for 236 house claims we've completed or cash settled.

WHAT'S THE ADVANTAGE OF A CASH PAYMENT?

Last month we told you about the differences between **cash settlements** and **pre-construction payments**, and which one may be right for you and your situation.

A cash settlement means we pay you what it would cost to repair the earthquake damage where you don't intend to repair or rebuild your home, or you intend to sell 'as is, where is'.

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A pre-construction payment means you get cash up-front to manage your repair or rebuild, and if any further earthquake damage is discovered during construction, you can ask us for additional funds to cover this cost.

We've made 34 pre-construction payments to date totalling \$21.5 million. It's important to consider that when you accept either type of

cash payment, you get the immediate benefit of having the money in your account, rather than in the reinsurer's. This could be offsetting your mortgage or earning interest that could really add up over time.

For example, if you accept a payment of \$650,000 and it earns 3% interest for six months, you'd have nearly \$10,000 before tax. These funds could help offset any temporary accommodation and/or removal and storage costs that exceed the allowance we provide.

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Your lead consultant is also an important part of the claims settlement process, so we'll contact them in the near future to make sure they're also aware of the benefits you get with a pre-construction payment.

Our external works programme is also ticking along well with cash payments. We have around 100 of these claims left to go, so it's timely to walk you through the process of how we work together to settle your claim.

HOW ARE EXTERNAL WORKS CLAIMS SETTLED?

How your claim is settled depends on your situation, but if you already have an over-cap house claim with us, the external works will usually be settled as part of your main claim. We'll pay you what it costs to repair the earthquake damage to your external structure(s) and you can use the funds to get the repairs done.

If you're waiting for other repairs to be completed before your external works can go ahead, you may be wondering about price escalation. Fortunately we haven't seen evidence of any significant escalation in costs, but if any further earthquake damage that wasn't scoped or included in the first payment is found during the repairs, we will assess the damage and treat it as a new claim.

If your house claim is under-cap and you haven't told us about any external damage, we would appreciate you letting us know as soon

as possible. Even if you choose not to, or are unable to repair the damage because it's on a shared boundary, we'll need to update your policy to reflect the outstanding damage.

WHAT IS CAUSING DELAYS WITH EXTERNAL WORKS CLAIMS?

Some Members are experiencing delays with their external repairs, and this is often due to one of the following reasons:

- **Demand for contractor and specialist services** (such as for swimming pool repairs) has outstripped supply. We are working with several suppliers to cut down delay times.
- We await a **damage report** – if your claim was transferred to our programme from Fletcher EQR, please make sure to send us any documentation you've received from them. The report details the extent of damage and ownership of any shared structures that we need to understand before we can agree a scope for the repair work.
- An external structure sits on a **shared boundary** – in general we will pay you for your share of the cost to repair the damage, so you and your neighbour can decide how and when to complete the repair. We will assess boundary situations on a case-by-case basis and may need your neighbour to sign a waiver allowing us to talk to their insurer.

HOW DO WE WORK WITH OTHER INSURERS IN CHRISTCHURCH?

The rebuild environment is complex and changing, and although we only insure around 3% of houses in Christchurch, we need to work with other insurers to understand how developments in the wider market are playing out. It's also important to us to keep you up to date on issues with third parties that affect you, such as EQC land compensation payments.

In order to keep up to date with industry matters, we participate in a number of forums including the Insurance Council of New Zealand's Chief Executive Committee, General Managers Committee and Land Steering Group. Our Beca programme partners are also active in several groups led by technical regulators such as the Ministry of Building, Innovation and Employment.

We hope this update has been useful. If you have any questions, please contact us on **0800 800 627** or email us at **info@mas.co.nz**.

Yours sincerely,

MAS Christchurch EQ Team

Call us today:

0800 800 627

Visit us online at www.mas.co.nz

