

EQC's current resources

We now have seven field offices operating in Canterbury. We have two in Deans Avenue, two in Addington and one each in Northwood, Lincoln and Timaru. These offices are the headquarters of the inspection teams that are working their way through the damaged properties in their localities. They include staff that provide administration and other support for those teams.

We also have a claims administration centre in Deans Avenue. Here we have our claims central filing system, a supplies store, a mail centre, and operate our bookings office for accommodation, travel and related.

We have around 1,100 staff working full-time on the Canterbury earthquake. There are almost 600 staff in Christchurch. These are drawn from a larger pool which allows us to run a roster so staff can have some time off between shifts. There are a further 150 in Wellington working on claims management including payments and on various management and operational matters.

We have another 250 or so Call Centre staff and around a 130 working specifically on claims processing. And our Project Management Office is well-established.



Emily Jones files reports at EQC's main office in Christchurch. News Photo – Carys Monteath/The Press

Survey results interesting

Our October quarterly survey of New Zealanders' views on earthquake education, mitigation and EQC has a number of interesting results. One is that the percentage of Canterbury residents who perceive educating people about how to minimise damage to their homes and contents as important has, not surprisingly, jumped to 53% from 34% in July.

This now exceeds the highest percentage elsewhere and that is in the lower North Island at 45% which, along with others in the North Island, has not changed since the Canterbury earthquake.

Awareness of EQC as the main organisation responsible for insuring homes, sections and house contents against damage from natural disaster, has increased significantly throughout New Zealand. It has jumped in the North Island from 33% in July to 56% in October and in the South Island from 28% to 71%. The greatest increase was in Canterbury as such (from 29% to 77%).

From our point of view, the most pleasing result is that Canterbury residents have higher than average favourable perceptions of EQC. Seventy percent in October said they had a very favourable or somewhat favourable view of EQC (with 9% having a very unfavourable or somewhat unfavourable view). The figures for the South Island overall are 72% and 7% compared to the highest and lowest in the North Island of 63% and 4% in the central and lower North Island.



EQC inspectors going through houses. Loss adjuster Brad Duffy (right), estimator and certified builder James Morrow (left) look through Marie Johnson's Rangiora house. News Photo: Iain McGregor/The Press

RUMBLINGS

FOR THE INSURANCE INDUSTRY

Canterbury earthquake a major test of EQC

The Canterbury earthquake is unprecedented in the history of New Zealand and is proving to be a major test of EQC's ability to deal with a very large number of claims.

Now that the three month deadline for claims has been and gone, it is useful to look back over the time since the event on 4 September and see what we have done.

Firstly, it is important to understand what we are dealing with. As at midnight on 6 December, we had 160,000 claims in the system. These break down into 195,000 part claims for residential building, contents and land damage.

The earthquake is unprecedented in a number of ways. We believe it has generated the largest number of claims ever handled by a single insurance organisation in the Southern Hemisphere.

In terms of cost, it is the largest ever insurance event in New Zealand's history. It is also likely to rank globally as the fifth most costly earthquake ever for insurers after Northridge, California, in 1994, Central and Southern Chile in 2010, Tokyo in 1923, and Kobe, Japan, in 1995.

Our insurance cover is unique in the world and is a credit to those who had the foresight to establish what is now known as EQC in 1944 after earlier earthquakes, particularly those of Napier in 1931 and Wellington and Wairarapa in 1942. These demonstrated the problems of having no insurance or under-insuring for earthquake damage.

The cover available now at a cost of \$69 per annum for buildings up to \$100,000 + GST and contents up to \$20,000 + GST and with some land cover for free, in many ways works as a large buffer for the private insurers who provide top-up cover above our limits. We believe no other insurer in the world covers residential land, let alone at no cost to the policy holders.

While EQC's planning has taken our nominal large event as a 7.4 earthquake under Wellington, we were well aware of the earthquake risk to Canterbury. Christchurch has suffered damaging events in the past but of course none of this scale.

What was a surprise was the epicentre of the earthquake. We, along with the seismologists, had thought that Canterbury's big event would come from movement of the Alpine Fault that runs north-south through the Southern Alps. That risk, of course, remains.

That the earthquake did not kill anyone and left most buildings habitable is a credit to our building standards, the compliance procedures and the integrity of the building industry itself.

EQC has been working on its ability to handle a large number of claims for some time. An independent review of our Catastrophe Response Programme (CRP) last year confirmed our ability to manage an event that generated 30,000 to 60,000 claims. While that is still a large event, we knew that we could face an event that generated over 150,000 claims. And now we have one.

As soon as the word came through that a major earthquake had occurred, we activated various systems. One was the initial modelling of the quake which showed quickly that we were facing an event with, potentially, at least 100,000 claims and at a cost to us of up to \$2 billion.

Unfortunately, we cannot maintain the number of staff required for a large event on a day-to-day basis. What we are in many ways is a virtual organisation, in that while we have a permanent staff of only 22 and a small number of call centre staff, we have arrangements in place with all sorts of providers that allows us to increase these to a much larger number.

At the time of writing, we had started assessments, finished assessments or settled over 55,000 of the claims i.e. around a third of all claims received. We believe this is a good achievement so far.

While we have received numerous plaudits for the way we have carried out assessments and settled claims, there will always be occasions when we could have done better. However, we have systems in place to deal with complaints and disagreements over the level and type of damage attributed to the earthquake, as soon as they become apparent.

We also recognise that the many thousands of people awaiting assessments are having their patience sorely tested. Yet this is to be expected given an event of this scale. Also, the flood of claims we received in the final two weeks of the claims period means that we are likely to have to extend our earlier targets of settling all claims under \$10,000 by Christmas and all claims assessed by March 2011. We may also have to revise our target of repairing all properties in the \$10,000 to \$100,000 within two years.



Ian Simpson, chief executive of EQC, left, and Nick Rogers, geotechnical specialist with Tonkin & Taylor, explain the EQC plan to remediate land damaged in the Canterbury earthquake at a meeting with claimants. News Photo: John Kirk-Anderson/The Press

It is not possible to write a complete rule book in advance and, in the case of this event, four special initiatives were taken as we worked through the issues. These were agreed with the banks on handling large claim payouts, the establishment of a project manager chosen from the private sector for repair work in the \$10,000 to \$100,000 range, solutions for land damage developed on behalf of EQC, local councils, the Government and homeowners, and a special replacement heating project for those with damaged chimneys.

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The Project Management Office

Once we knew the size and scale of the damage, it became clear that a co-ordinated approach for repairs for the 50,000 or more properties with damage in the around \$10,000 to \$100,000 range was required to help manage resources equitably, and ensure high standards of construction, at a fair cost.

We launched a world-wide search for a company or a consortium to take on this large and complex task and after considering all tenders EQC decided to use a New Zealand company – Fletcher Construction.

Fletchers now have a well-established Project Management Office (PMO) in Christchurch and hub offices as bases for repair work in the vicinity in Halswell and Rolleston. A third (in Kaiapoi) is expected to be operational in mid-December. Hubs are then scheduled to be established in Fendalton, Waimairi and Rangiora.

They are using accredited and mainly local trades people and companies for the repair process. The repair of the first house under the auspices of Fletchers began on 18 November.

Homeowners do not have to have their properties repaired as part of the PMO process. The PMO does offer a one-stop-shop solution with guarantees and we strongly urge claimants to use the service. If they do not, then EQC will pay on receipt of invoices for work properly consented.



The Claims Administration team in the EQC office in Christchurch. Photo – Sabina Eberle

An upside to chimney damage

With over 25,000 reports of chimney damage, an opportunity was seen to replace a significant proportion of these with new, modern and clean heating systems. Out of this came an arrangement with the Energy Efficiency and Conservation Authority (EECA) whereby qualifying homeowners would be given the choice of a new system.

To qualify, the damage has to be of a scale where the cost of repair equates to or exceeds the cost of a new system. The advantage for the homeowner is a more efficient heating system and the advantage for Canterbury a reduction in open fires and log burners and the attendant atmospheric pollution.



Final Claims (Provisional)	
Christchurch	125,964
Waimakariri	11,901
Selwyn	11,688
Timaru	4,142
Ashburton	3,589
Hurunui	1,083
Dunedin	567
Waitaki	346
Waimate	235
Grey	174
Queenstown-Lakes	156
MacKenzie	149
Central Otago	95
Kaikoura	69
Westland	59
Wellington	58
Marlborough	54
Nelson	38
Clutha	33
Buller	32
Southland	28
Invercargill	26
Tasman	26
Lower Hutt	19
Gore	19
Other	91
Total	160,641

Agreement on large claim payouts

In cases where a property has a mortgage registered against it, EQC is obliged to pay the mortgagee (with their agreement) the value of the claim up to our maximum payout of \$100,000 + GST.

Given that a goal of the recovery is to ensure rebuilding goes ahead as smoothly as possible, it seemed sensible to talk to the banks about how they could help in cases of the most serious damage i.e. over our cap of \$100,000.

Discussions led to an agreement, the key features of which were as follows: Where mortgages exist, EQC would pay the bank and the bank would make the funds available to be re-advanced, allowing insurers to complete the rebuilding process. While waiting for the repair bills customers can use the EQC money to repay their mortgage (reducing their interest burden) or place it on deposit (earning them interest).

And further: If customers use the money to pay off a mortgage, the bank would re-advance those funds to be used for rebuilding work. If the money is put on deposit, the account would be subject to the bank's control to ensure it is spent on rebuilding. For fixed interest loans, the banks will absorb the early repayment costs where loans are reduced or paid off. Where there is no mortgage, the money will be spent by EQC on the repair or rebuild process.



EQC pod leader Phil Buckman dealing with claims files in Ashburton. Photo – Carmen Rooney, Ashburton Guardian

The complex matter of land damage

The unprecedented types and scale of land damage in Canterbury, has offered the greatest challenges for the whole process of remediation and repair. The land damage issue is of such importance that the Government quickly became directly involved and is working with the local authorities and EQC to ensure community-wide approaches are taken.

For our part, it is a credit to our geotechnical consultants Tonkin & Taylor (T&T) that they have been able to work to this brief, by not only surveying and mapping large areas but offering quite unique technical solutions for collective remediation work.

Of the 22,500 properties mapped by T&T in areas of obvious land damage and nearby, 3,300 are in Zone C. Here whole groups of properties will be protected by underground walls designed to prevent or minimise in particular the lateral spreading of land. Most homes in this zone will have to be demolished.

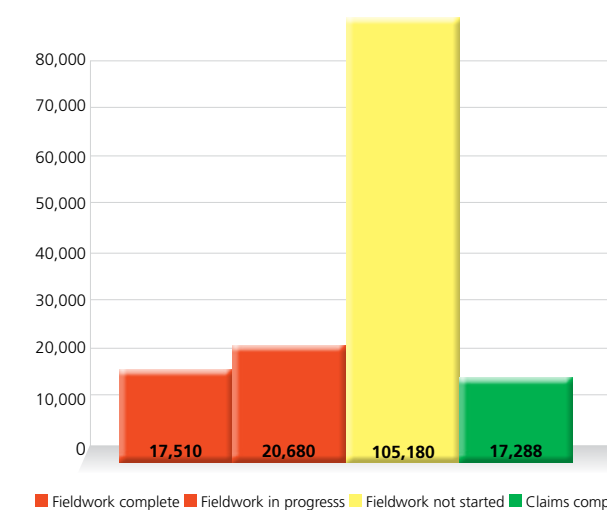
A further 5,500 properties are in Zone B. Here properties have minor to moderate land damage that can be remediated fairly easily. The remaining 13,700 properties (near those in zones B and C) are in zone A, meaning no land damage was found.

The claims for land damage in the unmapped areas are being dealt with on a case-by-case basis.



Chief operations officer Lance Dixon (right) talks to contracted loss adjustor Barry Searle (seated) at EQC's main office in Christchurch. News Photo – Carys Montearth/The Press

Figures as at 7 December



Types and status of claims

	Lodged	Open	Closed	No. of payments	Paid to Date
Building claims	133,838	123,927	9,911	31,647	\$371.94m
Contents claims	45,340	38,196	7,144	22,080	\$45.62m
Land claims	16,017	15,197	820	12	\$12.131
Total completed claims	17,288				Total paid to date \$417.57m