

Earthquake update

November 2011



As I write this there's a real sense of excitement in Canterbury, which is great to see.

At Lantern Insurance we are doing what we can to help our customers and the city they love move forward. Like the people behind Re:START the Heart (the pop up container mall), we are looking for innovative ways to make things happen.

At the peak of the rebuild it is estimated that an additional 30,000 people will be needed to meet demand. Some of these people will come from Canterbury but many more will come from other parts of New Zealand and around the world. Without them being able to obtain insurance, it will be very hard to attract these people to the region. We are committed to helping make the rebuild happen as quickly and easily as possible and therefore I'm excited to announce that we are offering contents-only insurance to those employed to help rebuild the region. There's more information later in this newsletter.

Also giving us more certainty on a way forward are the two land announcements made by Canterbury Earthquake Recovery

Minister Gerry Brownlee at the end of last month. The first announcement introduced three new categories for residential foundation designs for flat residential green zone land. The three categories are defined as TC1, TC2 and TC3 or grey, yellow and blue. The second announcement rezoned nearly 80 per cent of the properties in the remaining residential orange zone to green.

What do the land categories mean?

The new TC1, TC2 and TC3 categories are based on how the land is likely to behave during a major earthquake. They specify the different types of foundation work required when repairing or rebuilding homes. To check the technical category of your home visit www.landcheck.org.nz.

In summary, the foundations of properties in TC1 and TC2 can be built according to current guidelines, while properties zoned TC3 will require site-specific geotechnical investigations and new foundation designs. More detailed information about the technical categories is included inside this newsletter.

What does this mean for your claim?

Aside from the Port Hills area (for reasons detailed later in this newsletter), we are continuing to assess all uninhabitable homes regardless of land classification, as well as replanning our repair and rebuild timetable to incorporate the new technical categories.

We are currently working out the effect each classification will have on foundations and other repairs, and what this means for our customers in the green zone. In the case of TC3 properties; after the release of new foundation guidelines by the Department of Building and Housing, we will have a better understanding around how we can go about starting work on these properties. These will follow current testing that will be peer-reviewed in December, with new guidelines likely to be available in February next year.

To ensure we have the right level of resource to move forward as soon as we can we are doubling the number of project managers at Hawkins. This means that as the areas we are working in expand, we'll be ready to progress your claim.

Thank you for your continued patience, particularly as we work through the implications of the land announcement. We are committed to keeping you up-to-date and informed and will publish our repair and rebuild timetable as soon as we possibly can to give you more certainty around your next steps.

Regards,



Bart Taylor
Head of Lantern Insurance

WE'VE RETURNED TO OUR USUAL CRITERIA FOR WRITING INSURANCE POLICIES IN PARTS OF CANTERBURY

On October 11, we made changes to our criteria for writing insurance policies in Canterbury.

We've returned to standard criteria for new home and contents insurance policies in the outer Canterbury region (Hurunui and Ashburton council districts). We are also considering requests to insure property for new commercial customers in these areas on a case-by-case basis.

Normal criteria have resumed for new private vehicle and pleasurecraft policies across Canterbury.

In terms of contract works insurance, we've now returned to business as usual for contract works cover in the outer Canterbury zone. In the inner zone (Christchurch City, Selwyn and Waimakariri council districts) we're continuing to consider contract works insurance for existing customers only.

We are continuing to insure our existing customers with home and contents policies in the inner zone and are committed to providing ongoing insurance solutions.

Please note: These new criteria are correct at the time of printing, but may change in the future.

YOUR LAND REMEDIATION QUESTIONS ANSWERED

Following last month's land announcement, we've compiled the most common questions and answers for your easy reference.

What happens if my property is TC1 or TC2 (grey or yellow)?

Properties classified as either TC1 or TC2 can be repaired or rebuilt using current Department of Building and Housing foundation guidelines.

Land in TC1 or TC2 will require only simple shallow soil strength testing, which is standard for all homes. There is a range of standard options available for the repair and rebuilding of foundations in these areas. At this stage, most repairs and all rebuilds will require consent from the local council before we can authorise work to begin.

What happens if my property is TC3 (blue)?

Property owners in TC3 who need to carry out foundation repairs or house rebuilding will require site-specific geotechnical investigation and specific engineering foundation design.

The Department of Building and Housing is currently undertaking a research trial of foundation systems to test the feasibility and costs of innovative solutions for repairing or rebuilding foundations in Technical Category 3.

This trial is expected to be completed and internationally peer reviewed, with the results made available mid-December 2011. Updated guidance for repairing or rebuilding houses and design guidance in Technical Category 3 is then expected to be issued by the end of February 2012.

Until these are available we may not be able to assess those properties with damage deemed over the EQC cap for each event in TC3, as we will not know what repair options are available for foundations on this land.

Who appoints and pays for a geotechnical engineer?

If a geotechnical report is required to progress your claim we can arrange and pay for this to ensure it meets the specific requirements of your situation.

When will you begin work on TC1 and TC2 properties?

Although we now have more certainty around land classification there are a number of other factors that may affect the timing of progress in these areas. These include GNS information about ongoing seismic activity and the Stronger Canterbury infrastructure reinstatement programme. In both instances we want to be confident that any repairs made are not going to be damaged by either ongoing seismic activity or infrastructure activity, e.g. roads dug up for sewerage pipe repairs. It is also important to note that at this stage, all rebuilds (and most repairs) will need a council consent before we can authorise work to begin. We have commenced repairs and rebuilds in some of these zones where sufficient information is available, and will continue where possible.

Who will pay for the new foundations?

Your home policy (along with EQCover) will cover the cost of compliance if the foundations are earthquake damaged and require repair or replacement.

What happens if my property does not have a TC rating?

The usual council consent procedures will apply to your repairs or rebuild.

This applies to the properties:

- previously announced in the green zone
- non-residential properties in urban areas
- in rural areas
- beyond the extent of land damage mapping
- in the Port Hills and Banks Peninsula.

If my land has no TC rating and usual consent procedures apply, why are you not progressing my claim?

We understand your frustrations. At this stage we still need to consider the ongoing



Make sure you check the CERA website for up-to-date and detailed information – www.cera.govt.nz

seismic activity and anything specific to your property that could require further assessment or information. We are reviewing the seismic risk and its impact on our repair and rebuild schedule on an ongoing basis and will quickly reconsider our position as soon as new information is available. Even though there's no TC rating, it is possible there may be pockets of land damage that will be subject to geo-tech investigations.

When will you assess properties in the Port Hills?

We have recently completed a pilot assessment programme in the Hills to allow us to better understand what will be needed to reinstate damaged homes in the area, given many are architecturally designed and have unique features. We are aiming to have a rebuild and repair timetable issued early in the New Year.

When do you think you'll be assessing the remaining residential green zone properties?

Our assessments are continuing on a property-by-property basis. Once we have worked through the effect the new foundation designs may have on our repair and rebuild schedule we will publish an assessment timetable.

What happens next and when will depend on a number of factors including the status of the land (TC1, TC2 or TC3), the appropriate consents, ongoing seismic activity and land remediation requirements

Why have these announcements taken so long?

The issues with the land are complex and varied. The Government is now confident they have the best solution for each area, having investigated specific engineering solutions to enable them to confirm appropriate changes in zoning.

HELPING THE PEOPLE HELPING CANTERBURY

As a company, Lantern Insurance is 100 per cent committed to the Canterbury region. We are doing all we can to provide innovative solutions to any issues that may hold up the rebuilding process.

One such solution is our commitment to offer contents-only insurance to labourers and tradespeople employed to help rebuild the region.

When the rebuild process reaches its peak, it is estimated that another 30,000 people will be needed to meet demand. To remove one of the barriers to attracting these people to the region, we are offering

contents-only policies for those tradespeople employed or contracted by member organisations of the BusinessNZ Building and Infrastructure Committee.

We are also prepared to consider offering insurance for members with tools and mobile plant (portable business assets), who are working in the area as part of the rebuild programme.

RESIDENTIAL RED ZONE

We have now issued settlement offers to all Lantern Insurance customers in the current residential red zones. If you would like to talk through your offer please contact your claims case manager in the first instance. As we are unable to provide financial advice or an opinion on the various options available to you, we also encourage you to obtain independent advice regarding the settlement of your claim.

TECHNICAL CATEGORIES EXPLAINED

WHAT DOES TECHNICAL CATEGORY 1 MEAN?

Future land damage from liquefaction is unlikely. You can use standard foundations for concrete slabs or timber floors. Foundation information is available on the Department of Building and Housing's website at: www.dbh.govt.nz/canterburyearthquake-residential-building

WHAT DOES TECHNICAL CATEGORY 3 MEAN?

Moderate to significant land damage from liquefaction is possible in future large earthquakes. Site-specific geotechnical investigation and specific engineering foundation design is required.

WHAT DOES TECHNICAL CATEGORY 2 MEAN?

Minor to moderate land damage from liquefaction is possible in future large earthquakes.

You can use standard timber piled foundations for houses with lightweight cladding and roofing, and suspended timber floors or

enhanced concrete foundations (i.e. more robust floor slabs that better tie the structure together as outlined in the Department of Building and Housing 2010 Guidance on house repairs and reconstruction following the Canterbury earthquake).

STAYING ORANGE

At the time of writing there are approximately 1,600 properties that remain in the residential orange zone. These properties remain orange because further investigations and evaluation of all the options available are required before any decisions can be made about the viability of repairing or rebuilding on this land.

We understand it's frustrating to still not know whether you can rebuild on your land and would like to assure you that we're working alongside CERA to get some certainty for you.

CERA's geotechnical engineering consultants Tonkin & Taylor are coordinating with geotechnical engineers and geologists across New Zealand to assess land damage in your area. CERA will make an announcement on the remaining orange zone once these assessments are complete, and this is expected this month.



Everywhere the focus was on New Zealand Cup and Show Week.

WORKING TOGETHER TO REBUILD CANTERBURY

Important contacts to have on hand

Canterbury Communities' Earthquake Recovery Network (CanCERN)

www.cancern.org.nz

CERA

0800 RING CERA (0800 7464 2372)

www.cera.govt.nz

Earthquake Government Helpline

0800 779 997

For information about consent forms

and the Crown's offer process

0800 237 277

Earthquake Commission (EQC)

0800 DAMAGE (0800 326 243)

www.eqc.govt.nz

Red Cross

0800 RED CROSS (0800 733 276)

www.redcross.org.nz

Healthline (24 hours)

0800 611 116

Landcheck

www.landcheck.org.nz

Canterbury Temporary Accommodation Service

0800 67 32 27

www.quakeaccommodation.govt.nz

Community Law Canterbury

A lawyer is based at the Earthquake Assistance Centre at the Avondale Golf Course, corner Breezes Road and Wainoni Road. The centre is open Monday to Friday 10am to 6.30pm.

Call 0508 CANLAW (226 529) for more information.

RED ZONE FINANCIAL DECISION GUIDE

A financial decision guide for red zone residents has been launched by the Commission for Financial Literacy and Retirement Income (formerly known as the Retirement Commission). The booklet is available on the Sorted website www.sorted.org.nz/redzone

CONFUSED BY THE TERMS IN YOUR SETTLEMENT OFFER?

We've developed a handy glossary of the most commonly used terms in our residential red zone settlement offer packs. Download your copy from the earthquake page on www.lanterninsurance.co.nz

Have any questions? **Call 0800 800 800**

