

Earthquake Update

August 2012

A word from the team at Lantern Insurance

CERA's 29 June White Zone announcement was another major milestone for Canterbury homeowners.

For the 1,107 customers rezoned from white to green, the announcement provides clarity around the future use of their property and gives them the ability to move forward in the claim settlement process.

285 residential properties at risk of cliff collapse or rock roll were rezoned red. A further 166 properties remain in the white zone with a further announcement expected for 158 of these properties on 17 August, and the remaining eight houses in Lucas Lane in October.

If your property was rezoned green:

For many customers, we will be able to move forward with your claim. Note that EQC is responsible for remediating any land damage under your house and within eight metres of the buildings. We will discuss with EQC what remediation will be required.

If your property was rezoned red:

As with previous residential red zones, owners of Port Hills red zone properties will be provided with two options by the Crown to consider:

- **Option 1** – the Crown will pay the most recent rating valuation for land, buildings and fixtures and take over all insurance claims for damage to the property.
- **Option 2** – the Crown will pay the most recent rating valuation for the land and take over the owner's EQC claim for land damage only. The property owner will continue to deal with EQC and their insurer to settle those claims for other parts of the property.

We continue to prioritise assessments and offers for our customers in this zone to enable you to understand your options and how they compare with your offer from the Crown to help you make a fully informed decision.

Your assessment will then be followed within four to six weeks with a detailed outline of the cost to reinstate your property (repair or rebuild) along with settlement options available to you under your insurance policy.

If your property remains in the white zone:

Following the Government announcements due 17 August, and October, we will progress your claim accordingly depending on whether your property is rezoned red or green.

We're committed to providing as much information and support to our customers as we can to help progress your claim. Our staff continue to attend CERA-led community meetings to meet with you face-to-face and provide you with answers to your insurance related questions. You can visit us at the Avondale Earthquake Assistance Centre or contact your Claims Case Manager on their direct dial number or email address. Alternatively freephone us on **0800 800 800**.



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Note: Pre-construction refers to the time where Hawkins and homeowners plan the work together, and all necessary resource consents are obtained.

*The numbers quoted are for all IAG brands: NZI, Lantern Insurance, State and IAG Corporate Partners, which underwrites general insurance policies offered by ASB, BNZ and The Co-operative Bank.

Our rebuild and repair programme

We continue to make good progress with our programme of works.

As at the end of July we had completed the following*:			
1 Feb–31 July 2012	Rebuild	Repair	Driveways, paths etc
Pre-construction	361	287	1137
Construction	136	39	619
Complete	30	21	1581

Assessment target

It is important to us that all our customers have certainty around their settlement options by the end of this year. We have set ourselves a completion target to assess all over-cap claims currently with us by 20 December 2012.

As a result of this assessment programme all customers with earthquake damaged houses will have an assessment completed and have certainty around

whether their house can be repaired, or will need to be rebuilt.

In many cases where we have already visited your property, we may have enough information to provide you with settlement options. When we do not have enough information on file, we will contact you to make a time to complete your assessment.

What do I need to know before I sell or buy an earthquake damaged property?

If you are considering buying or selling an earthquake damaged property it is important to understand your entitlements as both a vendor or purchaser. Most importantly, you should understand if the property is repairable or uneconomic to repair (and will need to be rebuilt) before making any decisions.

Please speak to us before signing any sale and purchase agreements to ensure that you understand all the details of claims on the property and the 'assignment' of these, e.g. what you can transfer or have transferred to you.

If a property is damaged whilst insured with us, the insurance contract is between you as the current owner and Lantern.

Many of our policies entitle you to have your claim settled in either of the two following ways:

1. If you repair or rebuild the dwelling and outbuildings, we'll pay (as per your policy conditions).
2. If you don't repair or rebuild the dwelling and outbuildings, we'll pay you the fair value of the loss based on the present value (indemnity or market value*).

If you choose to sell your property before your claim is settled, then depending on the level of existing earthquake damage one of the following two scenarios will apply to the new owner:

1. If the dwelling is economic to repair: we will work with the new owner to repair the earthquake damage according to the terms of the policy you had in place at the time that damage occurred.
2. If the dwelling is uneconomic to repair (and requires a rebuild): we will not complete the rebuild, but will make payment based on the indemnity or market value only to the new owner for the dwelling.

*Market value is calculated by obtaining a valuation of your property, including outbuildings, paths, fences and driveways etc prior to the earthquake damage, from a professional property valuer. We will arrange and pay for this valuation.

Check with us before you enter into any sale and purchase agreement so you are clear on what you will be able to transfer to a potential buyer.

This includes understanding whether your dwelling and outbuildings are repairable or need rebuilding, and any other policy entitlements such as alternative accommodation which cannot be carried over to the purchaser.

I'm looking to buy - what should I ask?

Clarify with the current property owner ('vendor') what their insurer's position is around any outstanding claim for earthquake damage. You should fully understand what policy entitlements (such as alternative accommodation if the property is unable to be lived in) will or won't carry over to you as the new owner.

You also need to clarify insurance cover – both current and future. Our current position is that the current property owner cannot assign the insurance policy and cover to the new owner. Make sure you know what insurance cover you will be able to organise before you make a commitment to purchase the property.

This article is a general guide only and does not constitute legal advice or provide complete information. As each situation differs, we suggest you obtain your own independent advice about your situation.

Understanding your Cross Lease obligations

If you own a dwelling which is one of two or more built on the same piece of land, you may own a cross-lease property.

In this case you will have a 'memorandum of lease' which is the shared agreement between all the property owners on your site.

The rights and obligations of each owner are set out in the memorandum of lease, including any collectively owned property such as fences, driveways and pathways which all the owners may share and use.

What does a cross-lease mean if you have a claim for earthquake damage?

Read your memorandum of lease to understand your obligations and rights with respect to your cross-lease neighbours. A couple of typical scenarios

where your claim may be impacted could include:

- If your shared driveway is earthquake damaged, each property owner and their insurers will need to work together as part of co-ordinating the repairs.
- If your property is damaged beyond economic repair and needs to be rebuilt, any rebuilding will need to work in with your cross-lease neighbours and their insurers. This will take into account the extent of damage to their properties and repairs required.

Your Claims Case Manager will discuss this with you as part of progressing your claim, however if you have any questions, please contact them for assistance.

Help us to help you

We want to help you move forward as quickly as we can. There are a few things you can do to help us achieve this.

Contact us if:

- your contact details change,
- you would like to have your mobile number added to your files as an alternative contact number,
- you would prefer us to email you if it is difficult for you to talk at work during the day (make sure we have your most current email address).

Next Steps – how we are progressing your claim:

Customers in the residential red zone:

We continue to prioritise assessments and offers for our customers in this zone to enable you to understand your options and how they compare with your offer from the Crown to help you make a fully informed decision.

- **Southshore customers:** We have assessed all of our customers' properties in Southshore and are currently finalising offers of settlement.
- **Port Hills customers:** Following CERA's 29 June announcement, we have begun completing assessments for our customers whose properties have been rezoned red. If you have not yet been contacted, you will soon receive a phone call to arrange a time for us to visit and assess your property. This is then followed by a detailed outline of the costs to repair or rebuild along with your settlement options. This outline will typically be available four to six weeks after the assessment is complete.

Customers in the residential green zone:

We are repairing and rebuilding properties in those areas of the green zone where we

have certainty around land zone and condition. Assessments of over-cap claims across all zones are on target to be completed by 20 December this year. We continue to prioritise our customers worst affected by the earthquakes (such as those unable to live in their homes) and customers who are elderly or have health challenges.

- **TC1, TC2 and Rural:** With a greater understanding of the land issues in these areas, we are making good progress on the rebuild and repair of these properties.
- **TC3 – properties with foundation damage (repair) and/or rebuild:** Unfortunately we cannot commence any building work on your property until any necessary geotechnical testing has been completed and evaluated. We are working with EQC who is leading the geotechnical drilling programme. The data we purchase from them will help us to move your claim forward and ensure your foundation and house are designed to best suit your land. Once we are confident that no significant land damage exists we can begin the repair

and/or rebuild process. The details of the EQC drilling programme are available on their website: <http://Canterbury.eqc.govt.nz/news/where-we-are-working/2012/04/tc3-drilling-plan>

- **TC3 – properties with no foundation damage (repairs):** For properties with no foundation damage, once we are confident that no significant land damage exists we can begin the repair process.
- **Hills:** We continue to work in the Hills areas, making good progress on properties with no retaining wall or land issues. For customers who own properties with these or other complexities, your Claims Case Manager will contact you to discuss the next steps in progressing your claim.

Customers remaining in the residential white zone:

We will progress claims for properties in this zone once they are rezoned either red or green. This rezoning is expected to be announced by CERA on 17 August, and mid-October (Lucas Lane).

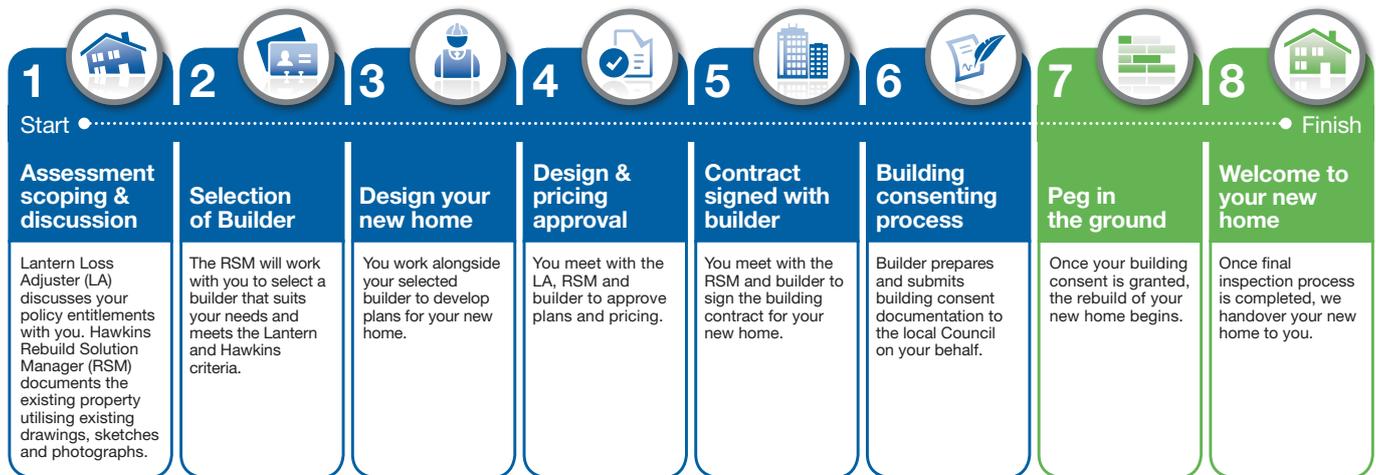
Typical rebuild/repair programme with Lantern and Hawkins

The following flowcharts provide an overview of the typical steps involved in repairing or rebuilding a property.

Important: these are guidelines only and will change depending on whether your rebuild or repair is more or less complex. When you are ready to begin the rebuild or repair process a Loss Adjuster will be appointed to your claim. They will discuss your programme of work with you including timelines for your property.

Steps to rebuild your home

The common process of replacing your home with Lantern and Hawkins, our project management partner.



Steps to repair your home

The common process of repairing your home with Lantern and Hawkins, our project management partner.

