

Earthquake *Update*

September 2012

A word from the team at Lantern Insurance

Just over two years on from the first earthquake to hit Canterbury on 4 September 2010 we all now know this was not a one-off disaster event, but the start of a series of ongoing earthquakes which have not only changed the shape and face of Canterbury but created a lot of uncertainty for Cantabrians.

For all of our Lantern customers affected by the earthquakes, whether your damage is minor or significant, it is important for us to provide you with as much certainty as we can as we progress your claim.

The further zoning of land in the Port Hills and the release of Building and Housing

guidelines for the technical categories in the flat green zone in recent months have been another step forward.

The release of the central city blueprint shows Christchurch is looking to be a world-class city. It's important that we look to the future and reinstate your property in line with the current building code and your policy entitlements as part of contributing to the city rebuild.

As we continue to progress your claim through the various stages, we'll work closely with you from the initial assessment through to providing you with options for you to choose which best suits your own situation.

We continue to gain momentum with our repair and rebuild programme and with

the warmer, more settled weather upon us will be able to achieve even more.

While broadening our programme of works, we're also on target to provide all our customers who have an over-cap claim with certainty by 20 December this year around whether your property is a repair or a rebuild. This will be accompanied by options for you to decide how you may wish to progress your claim.

While we want to help all our customers move forward, we continue to prioritise those with uninhabitable homes, the elderly, families with small children and others who are most vulnerable in our community.

If you require additional assistance or further information about your claim, please contact your Claims Case Manager. Alternatively, freephone us on **0800 800 800**.



Bart Taylor
Head of Lantern Insurance

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Our rebuild and repair programme

We continue to make good progress with our rebuild and repair programme.

As at early September, IAG had settled almost 30 percent of claims, with the programme of works continuing to gain even more momentum.

Total claim numbers – IAG's customers have lodged just over 67,000 earthquake-related claims with IAG:

- Close to 30 percent of these have been settled.

- Over \$1.5 billion in settlements has been paid to customers.

House claim numbers – In total around 30,000 of those are claims for house damage, and of those:

- Approximately 6,500 of IAG's customers' homes will require either a major repair or a rebuild.
- The reinstatement (both rebuilds and major repairs) of just over 1,000 'over-cap' properties is currently

underway with 62 homes fully completed and families moved back in.

- 2,200 IAG customers currently have their non-EQC (paths, driveways, fences) repairs underway while another 1,885 have already had theirs completed.

Did you know? IAG is on target to have completed the rebuild of over 100 new houses by the end of this year – that's the equivalent of a new subdivision.

As at 18 September we had completed the following:

1 Feb–18 Sept 2012	Rebuild	Repair	Driveways, paths etc
Pre-construction	394	421	1,420
Construction	165	64	802
Complete	36	26	1,885

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.



Update for customers in the green zone

TC1, TC2, Hills and Rural

We continue to work in all of these areas to progress claims. Depending on your own situation and claim, we may also need to co-ordinate with other organisations:

EQC:

If we are waiting for confirmation that your property is over-cap* – we require confirmation that EQC has completed your apportionment and you have one claim over-cap (see the article on facing page for an overview of apportionment) before we can start to manage your claim for you.

Your council:

As part of the repair / rebuild programme, your builder will prepare and submit building consent documentation to your local council

on your behalf. This is to ensure all building work complies with the most up-to-date requirements as part of the building consent and code compliance certification process with your council.

***Earthquake damaged properties where at least one claim exceeds the maximum amount EQC will pay for the buildings per earthquake (which for most people is \$100,000 + GST) are 'over-cap'. Once EQC confirms a property is 'over-cap', Lantern becomes responsible for your claim on your buildings.**

TC3

We can now include in our programme significant repair and rebuild work for our customers' buildings in TC3 areas where the following applies:

- The claim is over-cap, and is therefore now the responsibility of Lantern, AND

- There is no significant foundation damage,

OR

- The claim is over-cap, and is therefore now the responsibility of Lantern, AND
- There is foundation damage but we have a detailed geotechnical report which enables a foundation to be designed for your site (both for repaired foundations and new foundations).

Residential red zones – latest update

The latest announcements of new residential red zones have included:

- Properties rezoned from white to red, and
- A number of green zone properties rezoned red as a result of the recent land zoning review process.

We continue to prioritise assessments and offers for our customers in the residential red zone to ensure you have all the information you need to compare your Lantern options with your offer from the Crown.

Following assessments customers are provided with an overview of their Lantern settlement options.

This has typically been four to six weeks after the assessment for houses in red zones on flat land. Some of the more complex properties on the Port Hills may require additional information from other professionals (such as engineers) and it may take more time to send your

settlement options. Your Claims Case Manager will continue to update you.

We know red zone property owners have a lot to consider. While we are unable to provide financial advice on which of the options may suit you best, please contact us if you require any further information or clarification around the information we send you.

If your contact details have changed, please advise us as soon as possible so we can stay in touch.

Update for customers in the white zone

We will progress claims for properties in this zone once they are rezoned either red or green.

The remaining eight properties in the white zone (Lucas Lane) are scheduled to have their rezoning decision announced by CERA in October.

Contributing your EQC payments and excesses

As your claim progresses and we are ready to undertake the repair or rebuilding work on your property, you will be required to contribute:

- any EQC payments received by or due to you for your buildings, and
- any EQC excesses for your buildings, and
- the excess amount(s) under your policy with us.

Any contributions (including any EQC payments and any excesses you must pay) must be made available by you before any building work begins.

In some cases you may need to arrange for your mortgagee (eg, your bank) to release those funds towards the repair or rebuild. We will discuss your contributions with you as your claim progresses.

Understanding 'Apportionment'

If you have damage from more than one earthquake, EQC and Lantern need to determine what portion of the total damage has been caused by each earthquake.

The total damage is 'apportioned' across the different earthquakes. This is to confirm whether or not your property is 'over-cap' and therefore whether EQC or Lantern is responsible for managing your claims for your buildings.

- **If your claim is determined to be 'over-cap'** (it is over the EQC cap from a single earthquake) it will be managed by Lantern and we can look to progress your claim and discuss your options.
- **If your claim is determined to be 'under-cap'** (it has not gone over the EQC cap from a single earthquake) EQC will manage the claim for your house and outbuildings, while Lantern will manage your claim for any non-EQC items (typically fences, paths and driveways).

Example 1 – an over-cap claim managed by Lantern:

Mr and Mrs Jones have a total of \$180,000 worth of earthquake damage to the buildings on their property. The 'apportionment' of that total damage has been confirmed as:

1. 4 September earthquake caused \$40,000 worth of damage
2. 22 February earthquake caused \$125,000 worth of damage
3. 13 June earthquake caused \$15,000 worth of damage

In this case, one earthquake has caused over \$100,000 (+ GST) worth of damage so the claim is **over-cap**. This means it will be managed by Lantern.

Example 2 – an under-cap claim managed by EQC:

Mr and Mrs Smith have a total of \$180,000 worth of earthquake damage to the buildings on their property. The 'apportionment' of that total damage has been confirmed as:

1. 4 September earthquake caused \$70,000 worth of damage
2. 22 February earthquake caused \$50,000 worth of damage
3. 13 June earthquake caused \$60,000 worth of damage

In this case, no single earthquake has caused over \$100,000 (+GST) worth of damage and the claim is **under-cap**. This means it will continue to be managed by EQC.

If you are unsure whether your claim is 'under-cap' or 'over-cap', please contact your Claims Case Manager to confirm. Lantern continues to work closely with EQC to finalise apportionments as part of helping to move your claim forward.

Geotechnical drilling for TC3 customers

Background

The residential green zone has technical categories which describe how the land is expected to perform in future earthquakes and what systems are needed for new or repaired residential foundations.

Technical categories are a key part of Building and Housing's guidelines on rebuilding and repairing earthquake damaged homes. Generally they are:

- TC1 (grey) – standard foundation
- TC2 (yellow) – enhanced foundation
- TC3 (blue) – foundation specifically designed for that site

Some green zone land (e.g. rural and Banks Peninsula) has a N/A Technical Category.

In order to design foundations for TC3 sites, the drilling programme captures information on the soil condition of TC3 properties. For our customers with significant foundation damage (where the foundation will be repaired or rebuilt), the samples are then analysed so engineers can design a foundation solution specific to the property on that TC3 site.

Important:

- The drilling programme is to provide information for foundation design only. It does not relate to land damage.

- It will not be necessary to drill on every property in the area.

Homes in TC3 that require foundation repair or rebuilding must get a building consent from their local council before repairs or rebuilding can begin. The requirements for the consent include geotechnical assessment of the land in the vicinity of the damaged house.

Steps to repair / rebuild your TC3 home

Information for TC3 homeowners.

