



RESPONSES TO INSURANCE QUESTIONS

www.wecan-nz.com

AT A GLANCE (<i>WeCan!</i> Summaries)	  	   	 
QUESTIONS			
Q1. What is your company's policy with regard to disclosing the rate and costing for each and every item on the assessment schedules used to quantify the cost of work required, especially with respect to repairs?	Full disclosure	Full disclosure (with qualifications).	No disclosure (other than global costs).
Q2. Do you regard that non-disclosure of such itemised costings is a breach of your contractual obligation to act in good faith in your dealings with the client?	Implied Yes	Implied Yes	No
Q3. What is your company's policy on strategies to be employed for replacement of perimeter foundations and re-piling with particular regard to the health and safety of contractors undertaking the work in a seismically active region?	Lift home, Move offsite and Store (currently cost for this but subject to review)	Lift home, Move offsite and Store (if only safe option) - but may work under if safely jacked up on piles.	Will not allow work under an elevated temporarily supported home.
Q4. Does this policy allow for contractors to work under – or through – lifted homes, in order to carry out the work?	No. Lift home, Move offsite and Store (currently cost for this but subject to review)	May be an option if all health and safety issues are addressed.	Will not allow work under an elevated temporarily supported home.
Q5. What is your company's policy on strategies to repair/replace concrete slab flooring where there is significant differential subsidence?	Not currently using any 'gluing' or 'filling' techniques, opting instead to replace.	Will repair if this will meet current DBH Standards and less than replacement cost - subject to specialist advice.	Re-Level where within DBH guidelines and not significantly damaged.
Q6. Do your costings on assessments schedules fully provide for meeting the revisions to the New Zealand Building code that came into effect on May 19 2011 and are currently under review by the Department of Building and Housing?	Fully compliant where component is damaged	Fully compliant upon completion	Fully compliant for repair/rebuild. Some DRAs may not reflect latest guidelines. Compliance costs are not paid to those accepting market value or purchasing existing home.
Q7. What process does your company employ to reconcile significant variations between EQC and Insurance assessments of costs?	Working with EQC to establish a protocol	Working with EQC to establish a protocol	AMI takes precedence if over cap.
Q8. What is your company's policy with respect to home insurance cover when significant (over cap) repairs are being undertaken on a green zone property using your preferred project management service and with respect to home insurance cover upon completion of the works?	Will reinsure when compliant.	Will reinsure according to underwriting terms and conditions	Will reinsure if previously insured by AMI.

IN DETAIL (Verbatim Responses)			
QUESTIONS	 	  	
Q1. What is your company's policy with regard to disclosing the rate and costing for each and every item on the assessment schedules used to quantify the cost of work required, especially with respect to repairs?	<p>We provide a detailed scope of works, including pricing, to all our customers when providing settlement offers. The scope of works details all items captured in the assessment and their cost.</p>	<p>We are happy to provide our customers with the full details of rates and costs in our assessment schedules if our customers request this. In some cases we may ask our customer to keep these rates and costs confidential. We are only able to supply this information once the assessment work is complete and we have compiled all the relevant information for the settlement offer. It is also important to note that whilst we are happy to provide this information for our customers, it can take time simply because of the volume of claims we are dealing with. We cannot always provide this information immediately, but are happy to do so when requested.</p>	<p>AMI and its project manager, Arrow International, have devised a tool known as a Detailed Rebuild/Repair Assessment (DRA) tool. The tool's purpose is to identify the inventory of a home to undertake a detailed global cost estimation for AMI. The tool has been extensively tested and we are confident that it suits its purpose of achieving a realistic global estimation. However, that is all it is - a tool to estimate globally. It would be unrealistic to expect that its individual elements should be subject to scrutiny and thus we do not make the rates or individual items' costings available. The detail of the inventory is provided at least twice - initially through an uncosted version for the customer to verify the current house specification and then consequently when AMI's offer is issued. We review the assessment should customers not be satisfied with the global figures derived and subsequently invite them to undertake or have undertaken their own estimations should that be needed.</p>
Q2. Do you regard that non-disclosure of such itemised costings is a breach of your contractual obligation to act in good faith in your dealings with the client?	<p>As above. We provide itemised costings to all customers. If any IAG customers require further information or clarification on the numbers they are provided they should in the first instance speak to their Claims Case Manager.</p>	<p>As above, we are happy to provide our customers with this information.</p>	<p>No. As noted above, if a customer is not satisfied with our assessment, they are welcome to arrange their own estimations, which we will most certainly consider.</p>
Q3. What is your company's policy on strategies to be employed for replacement of perimeter foundations and re-piling with particular regard to the health and safety of contractors undertaking the work in a seismically active region?	<p>Our current repair methodologies for foundation replacement take into account whether business as usual methodologies can apply. If the property requires significant lifting in order for the repairs to be carried out, we are currently including the cost to lift the house and move offsite in our assessment. As more repair methods become available we are constantly reviewing practices. We are currently evaluating the suitability, practicality, safety and cost of engineered house lifts on site. To date, to minimise risk to the safety of contractors we have not undertaken any work in areas that we have deemed to have high levels of ongoing seismic activity.</p>	<p>Simply put, it's about safety first. All contractors completing earthquake related work for AA Insurance, SIS Insurance and Vera are required to apply appropriate safety measures and conform with all legal health and safety requirements. The repair methodology chosen in each situation will take into account any potential risk to the health and safety of our contractors. If the only safe solution is for the building to be lifted, stored and transported back to the site, then we will do that. If the foundations can be repaired safely by jacking up the house onto piles and the contractors working beneath it with appropriate safety measures in place, then this may also be an option for us.</p>	<p>Until a safe methodology has been developed, we will not let contractors work under an elevated and temporarily supported house.</p>
Q4. Does this policy allow for contractors to work under – or through – lifted homes, in order to carry out the work?	<p>To date we have not undertaken any repairs requiring significant lifting. As mentioned above, at present we are including the cost to lift and move houses offsite as opposed to having contractors work under them.</p>	<p>As above, as long as appropriate safety measures are in place and all legal health and safety requirements are met, this may be an option.</p>	<p>See response to 3.</p>
Q5. What is your company's policy on strategies to repair/replace concrete slab flooring where there is significant differential subsidence?	<p>Concrete slab floors are assessed according to current Department of Building and Housing (DBH) Guidelines. If the flooring requires replacement, it is costed as part of the detailed assessment. We are not currently using any 'gluing' or 'filling' techniques, opting instead to replace.</p>	<p>If a concrete slab can be repaired to the current building consent standard, at a cost that is less than replacing it, we would consider this approach. We would seek relevant engineering and expert advice before making our decision.</p>	<p>AMI's current policy is the same as EQC's. AMI will re-level slabs that are not significantly damaged and where that re-levelling is in line with DBH guidelines.</p>
Q6. Do your costings on assessments schedules fully provide for meeting the revisions to the New Zealand Building code that came into effect on May 19 2011 and are currently under review by the Department of Building and Housing?	<p>Our scopes of works include all compliance costs that may be incurred by additional work required to meet the current DBH guidelines. When repairing, our policies will limit the compliance costs to the damaged part of the home, i.e. we will only pay for a new foundation if it was damaged. With the release of the technical land categories for flat green zoned land we can now move ahead with more certainty that the repair methods we utilise will give our customers the best results possible.</p>	<p>Yes, all repair and rebuilding work requiring a building consent will be carried out to the building code standards that apply when the work is completed.</p>	<p>Yes. 95% of AMI customers are insured under our 'Premier House Policy'. This policy provides that where we determine that a customer's home is not repairable and that customer elects to have AMI rebuild their home or that a repair is such that compliance costs will apply, AMI will cover the costs, including any additional costs that arise as the result of compliance standards. Given the emerging nature of DBH guidelines, it is likely that some of our earlier DRAs will not reflect the full costs of compliance. These costs will, however, be identified and met by AMI should the customer elect to have AMI rebuild their home or where repairs require compliance. Customers who elect a market cash settlement, or choose to purchase another house are not entitled to additional costs that are not being incurred, included those associated with compliance.</p>

<p>Q7. What process does your company employ to reconcile significant variations between EQC and Insurance assessments of costs?</p>	<p>The Insurance Council of New Zealand (ICNZ), on behalf of its members, and the EQC are working together to establish protocols to resolve differences. Until agreement has been reached with all parties and the protocols are in place if there is a point of difference we will work with EQC to understand the issue and reach agreement.</p>	<p>We have a large number of home insurance claims in which our assessment of the reinstatement costs differs from that of the EQC. We appreciate how frustrating this is for homeowners. We, together with the other members of ICNZ, are working with EQC to develop protocols that should assist in resolving these differences quickly and effectively. In the meantime, our assessing team and the EQC are working through these claims on a case by case basis.</p>	<p>This question could be interpreted in at least two ways: a.) It is not EQC's responsibility to value the cost of damage above its statutory cap of \$100,000 plus GST. As a corollary, it is not AMI's responsibility to value damage where EQC believes that the damage is below \$100,000. The main issues that arise between EQC and AMI (and we understand all insurers) is where either party has a different opinion as to whether the damage has reached \$100,000 as this affects the amount our customers can claim from EQC and hence, the amount of top-up that AMI is required to pay. b.) However, we suspect that this may not be the question you are asking. If you are asking what would be AMI's response if our cost estimation differed from one that EQC may have made above \$100,000 (notwithstanding the limitation of its responsibility), the answer is that the AMI DRA figure would prevail.</p>
<p>Q8. What is your company's policy with respect to home insurance cover when significant (over cap) repairs are being undertaken on a green zone property using your preferred project management service and with respect to home insurance cover upon completion of the works?</p>	<p>If we have authorised the rebuild or repair we will provide contract works insurance as part of managing the claim. Contract works insurance provides cover during the construction phase. At this point in time, we would also be happy to offer home insurance for the new home once the code compliance certificate has been issued by the relevant local council, and the homeowner is ready to move in. If the rebuild is arranged outside our claims process we may be able to consider contract works insurance provided that it matches all our requirements for our approved rebuild programme.</p>	<p>Currently, we are providing contract works cover to our customers who take part in our reinstatement programme using MWHM to oversee the repairs or rebuilding work. On completion of this work, home insurance cover will be provided according to the underwriting terms and conditions that apply at the time.</p>	<p>Where a customer has elected for AMI to manage the rebuild/repair of their home, the interests of that homeowner will be protected by AMI's obligation to reinstate their property. A house repair/rebuild requires Contract Works insurance during construction. This may be provided by the builder, or AMI. Either way, AMI's project manager, Arrow International, will ensure that cover is in place before work commences. Current policy is that AMI will reinsure the property it previously insured following the repair/rebuild.</p>