

Grenadier Accommodation Centre Limited MREINZ is a specialist residential property management company managing a property portfolio worth more than \$400million right across the city, and has been the Top Harcourts Property Management Office in New Zealand since 1999. This means that clients can rely on us to have the experience and expertise, the systems and the people, to make owning residential rental property easy.

The Christchurch earthquake on 4 September 2010 has been an opportunity for property managers to use their resources to find and deliver good and timely information, and reassure their clients that their rental property is in safe hands. The basis of this report was the 11<sup>th</sup> update issued by Grenadier Accommodation Centre Limited to the owners of the properties under their management. The first report was issued within 5 hours of the earthquake.

The report was written following a meeting with the Area Manager for EQC in the Christchurch region on 10 November 2010, and was intended to build on the previous information, and clarify the current position for those affected by the earthquake. It is now being made available in this form for the wider Grenadier sales team, and their valued clients.

It serves no real purpose to provide the full details of the Area Manager when he already has so much work on his desk. Suffice to say, he strikes me as a grounded and level headed man under incredible pressure, but trying to balance the social responsibility of keeping people in their homes; the policing role of keeping the cowboys out of the clean-up the caring role of making sure that those who do not know what to do get help; and the financial responsibility of making sure that the budget does not blow out completely and that underwriters get value for money.

### Some numbers worth sharing

A large amount of information was shared, and some of the numbers are staggering:

- 5** the Christchurch earthquake is the 5<sup>th</sup> largest global insurance event of 2010;
- 16** the number of properties identified in the Stage 1 land report as being unable to be repaired;
- 23** the number of people employed by EQC across the country prior to the Christchurch earthquake on 4 September;
- 700** the number of people now working for EQC in Christchurch;
- 800** the number of claims still being received every day;
- 900** the number of claims they are currently assessing each day;
- 1200** the number of properties where there is serious land damage, which may need dwellings to be demolished so that land can be remediated before rebuilding;
- 4800** the number of damaged chimney claims just processed into one of the Christchurch offices for processing;
- 17,768** the number of claims that have been settled;
- 114,000** the number of claims received by EQC so far.

### It starts with the dirt

The Area Manager said that he personally visited the 16 home owners of the properties identified in Stage 1 Land Report, and that they are trying to work through some solutions for them.

The Stage 2 Land Report is due out before the end of the month. This will look more deeply at the properties with damaged land, and focus on solutions. At this point the land has become an issue for the Government, and is no longer one for EQC. The remediation of land, the underground dams to protect infrastructure, and issues of desertisation of badly affected areas are ones which the government is choosing to tackle head on. "Desertisation" is the term to describe when residents of an affected geographic area all get up and go. It has a massive effect on those people, but also a profound effect on the surrounding community.

Since there is also the need to protect local and national infrastructure under much of the same ground, it is only logical that these issues become more centralised, because they go well beyond the scope of responsibility of what is essentially an insurer.

## Settlement of claims

EQC have four groups of claims:

1. Contents only
2. Dwelling damage estimated to be under \$10,000
3. Dwelling & land damage estimated to be between \$10,000 and \$100,000; and
4. Dwelling and land damage estimated to be over \$100,000

EQC confirmed that they have been working the phones for the contents claims only, and looking to settle as many of these as possible. They have also tried to settle as many of the \$100,000+ claims as possible so that people can get on and deal with their insurer about a course of action for the full remedial works.

They have then looked to settle a number of the under \$10,000 claims by telephone, with the \$10,000 to \$100,000 claims going to take the longest.

The Area Manager confirmed that EQC had approved early on any repairs to ensure the safety, security and weathertightness of a dwelling to \$2,000 could be done, and that if more extensive work was needed then these would be considered on a case by case basis, but be dependent on good supporting documentation.

## Updating claims

There have been a number of aftershocks, and there have been a number of properties which have sustained further damage since 4 September. The Area Manager said that there is no need to update a claim because the current state of the property will be considered when the claim is processed.

The exception to this is if the property sustains damage which changes the safety, security, or weathertightness of the property in a substantial way.

## Properties in a Body Corporate

There are some special circumstances with properties covered by a Body Corporate. Body Corporate managers are likely to have filed claims with EQC already. I am not aware of any contents related claims for apartments in with Body Corporate managers, but property owners of these types of properties should check to see whether the Body Corporate EQC claim covers superficial surface cracking inside each apartment. If you do have contents claims, then you will need a separate claim for this.

There was some discussion about special circumstances for common areas in apartment buildings, and a specialist is coming to Christchurch to handle the complexities of these claims. Since we do not manage the Body Corporate of any buildings, we will leave this to our commercial colleagues to navigate!

## Reimbursement of costs

I mentioned in my Update Number 9 that it was possible to seek reimbursement of expenses already paid even if the property had not been assessed by an EQC assessor. The Area Manager advised that these invoices should be sent via email to [claims@eqc.govt.nz](mailto:claims@eqc.govt.nz) with the subject specifying "Invoice for payment per Claim Number.....".

For those invoices already paid to contractors, for which people are seeking reimbursement, claimants should be clear, and include their own bank account numbers, otherwise contractors may be paid for the job a second time.

The Area Manager advised that if everything was in order, they are currently working on a 48 hour turnaround time for payment – which is quite amazing really.

As you might expect, they have found a number of unreasonable charges for work. Some are probably cases of contractors taking advantage of homeowners, and others may be homeowners trying to leverage some extra money. Quite understandably, these invoices have delays on them for payment, pending investigation.

## Getting the repairs done

There are a number of EQC approved contractors, and a number of potential contractors who have not met the qualifying requirements. They are trying to give preference to local contractors, to both support the local community, and also prevent opportunists from flying in, making a quick buck, and then scarpering after completing some dubious work.

For minor costs, homeowners can use their own contractors, but the Area Manager was quick to point out for these contractors EQC's role is simply to pay the approved invoices without any guarantee about workmanship. By contrast, if the work is completed through the Christchurch earthquake Project Management Office then Fletcher Building will provide a guarantee of quality workmanship.

The Area Manager was not sure who the contract would actually be with, but at the end of the day the buck will stop with EQC if remedial work is required.

On this basis, we would recommend that all structural work is completed through the PMO so that homeowners have the protection of that guarantee, even if the contractor doing the job subsequently ceases to trade.

## Working out what needs to be done

There is a fast-track team based in Wellington which is trying to settle a number of claims over the telephone. This is mainly for the sub-\$10,000 dwelling claims. They are looking for details of the damage, and then applying some formulas for affected areas to calculate expected costs of repair.

There was quite a lot of discussion around this process, because as property managers, we do not wish to become liable in any way for some damage which we cannot see, or which an untrained engineering eye might miss. There were two very reassuring points to be made here:

1. People do not have to take part in this fast-track team approach. They can opt to say that they are uncomfortable with identifying damage, and can ask for the property to be properly assessed. It will mean that the claim is not processed as quickly, but the property will get a full check; and
2. Once a claim is lodged, it is not closed. If remedial work is started, and in the process of doing this further damage is found, then further costs can be claimed. The example he gave was that in repairing/replacing a damaged sheet of gibboard, it was discovered that the stud in the wall which the gibboard was attached to had split and needed to be replaced, then it was reasonable that those costs also be paid.

There is one big proviso here, and that is that settlement is excluded from settlement. This sounds a bit weird, but what this means is that after a large earthquake the land takes time to settle back into place. In basic terms, the aftershocks are helping to release the balance of the built up pressure, but also to readjust all the large heavy stuff under the surface of the ground to a point that it becomes stable again. If people undertake remedial work before this settlement of the underlying land has finished, and further cracks appear, then EQC and homeowner insurers will not cover fixing it again.

This is the main reason why a lot of non-urgent repair work is going to take some time to be done.

## Inspections of properties

We talked about having structural engineers complete assessments of properties. EQC will cover the cost of an approved structural engineer completing a report on a property if there are structural problems with the dwelling, but if it is simply a "house-check" then this cost cannot be claimed.

Everybody who makes an EQC claim has the right to have a full assessment of their property by EQC. This assessment should be completed by an EQC assessor and a builder, both of whom will carry official identification. They have a report which should be completed in its entirety. That means that they should go up into the roof space, and should go under the floor (where possible). This report is called a Statement of Claim, and is essentially an agreement of damage. It does not necessarily limit the damage to what is on the report, because as I have written above, once a claim is lodged it is not closed off and further damage discovered can be added.

## Inspections of properties...continued...

If the report is not completed to the homeowner, or their representatives, satisfaction, then he recommends writing on the form that part of the property was not inspected, or that they were not fully satisfied with the inspection. With so many people now on the ground, and so many people new to EQC, reports we are hearing vary widely. It is a sensitive issue and so some homeowners are overly grateful that anyone has come and some, who are still in shock and are unsettled, will not be satisfied no matter who turns up to complete the work - but in gearing up so quickly there will be some variability in the quality of assessments.

As time goes on, all their systems and processes should improve, and so as we start to see assessments coming through, we expect a better and more consistent approach will be in place.

One aspect that we have not yet resolved is how we best fit in to this process. Assessments are currently being done on an am/pm scheduling basis. While it is ideal for the property owner to be present for these inspections to ensure that the information is unfiltered, we accept that for many people this will not simply be possible.

Similarly, the resources needed for one of our team to go to the property and potentially wait for up to three hours for EQC to turn up and then be present for the whole inspection would bring the running of much of our business to a standstill. We are hoping that the process might be fine-tuned over the coming days and weeks to make it more efficient, so that we can be present where necessary, and be able to do so without any additional cost from us to you.

If EQC still need to operate in broad strokes, then we will cross that bridge if we have to, but hope that we would have your understanding.

## Engineering solutions for Christchurch

One of our team asked about the long-term results for some repairs which are being talked about which have never been tried before in Christchurch – particularly in relation to securing foundations and other structural concrete. The Area Manager told us that there is currently a high-level engineering think-tank pulling ideas together for these issues, and that he was hoping to see the results from that group this week.

Once finalised, this will be shared with all insurers and major contractors so that a consistent approach is taken, and so that no one contractor has a commercial advantage over the other. The aim is to get the best outcomes for everyone, and while these can be based on the best research and analysis available to engineers today, the proof will only become evident over the next 10 to 20 years.

## What about the big jobs?

The \$100,000+ claims are being handled by insurance companies directly, with the maximum EQC payouts going towards those costs. The large insurers have appointed large construction and project management companies to handle the repair work for their clients. Arrow International and Hawkins Construction have been named as two of the project managers.

This work falls outside the work guarantees provided by EQC, and so property owners who have substantial damage will need to check who contracts are with, and what happens if there are problems with the quality of workmanship. We expect that all insurers will want to go above and beyond in settling these claims and making sure their reasonable clients are happy. After all, we have insurance for when things go wrong. This is not one car in a car accident, but a national event with international media exposure. If any insurer tries to duck for cover now, then their long-term reputation in the New Zealand market might never recover.

We know that our involvement with these larger jobs will be about facilitating access, trying to keep tenants happy (if they can still live there), and about keeping communication flowing. There will be some big decisions which need to be made and, to be frank, we are not well placed to make them for you, but we would like to be able to offer advice and support where we can.

We would also like to be able to pool useful information and share it with other property owners who have substantial damage. This may spawn a subset of future newsletter updates, specifically targeted at issues for significantly damaged properties...

## Damaged chimneys

It was accepted that any property which had a collapsed chimney, or a chimney that needed to be taken down before it fell and caused more damage, would have been placed into the \$10,000-\$100,000 category. He said that while some home owners reports that the chimney was the only damage, he felt that if the weight of bricks fell on a roof then there would be damage to the roof, and there may be damage to the roofing timbers.

There is a partnership with EECA for chimney replacement – which I have discussed at some length before - and the details of this work is being finalised now.

EQC provides a like-for-like cover, and people are entitled to have chimneys rebuilt, and to have roofs restored to their condition prior to the earthquake. In the case of tiled roofs, if replacement matching tiles cannot be found, then this may mean a full reroofing job will be covered.

For those with iron roofs, a roof does not have to be patch repaired only. For a colour-steel roof which is say, 10 years old, repairing the roof will be tricky. If a chimney comes down below the roof line, full length sheets can be inserted over the affected area, but they will, after that period of time, not be the same colour.

It seems that these will be dealt with on a case-by-case basis, but on the like-for-like cover, stripes of a different colour will not really do. While a full re-roof is unlikely, the cost or repainting the roof so that it all matches is a possibility. We will follow these decisions with interest.

One of their concerns is the expectation of the public with heating appliances. There might be some expectation, for example, that if the cost to stabilise and rebuild a large chimney is \$9,000, that they can then go and spend \$9,000 on a top of the line appliance for that amount. As with all things, it is about reasonable costs and reasonable solutions.

## Timing of work

There was some discussion about what we could do as property managers to try to help and move the process along. Essentially, once a property is safe, secure and weathertight, there is nothing we can do until the claim is being processed.

While getting quotes for work might be helpful, they will make no difference to getting work done faster. So, on that front it really is a sit back and wait approach.

I raised the issue that January and February is a time when a lot of rented properties see changes of tenants, and that there may be properties with non-structural damage which might prevent the prompt re-tenanting, and lead to losses of rental income if repair work had not yet been done.

I can see this as being a grey area. Insurance policy holders have a responsibility to mitigate their loss – which means that they need to do everything they can to make the loss as small as possible. For a policy holder with a loss-of-rents cover inclusion, then if there are delays in renting the property, and the main reasons for this are that prospective tenants are put off by superficial cracks in walls and ceilings, then we would be interested to see if this is still a valid claim under the policy. If it is, then property owners need to do something about it.

From the discussion I can take it that there is an understanding of this, but it is complicated because the property is being rented for commercial gain, and in any business there needs to be provision for regular maintenance, so the property may be due for painting anyway.

The fall back position is that if reasonable work is needed, then reasonable compensation for that work would be considered prior to an assessment, but the claim would need to be supported by good documentation. There is no certainty there.

## Recommendations – make an EQC claim

From this meeting it seems that, aside from keeping up the best communication we can with you, there is not much more we can do until claims are filed.

It also seems clear that with everyone having the right for a full EQC assessment that every dwelling owner should file an EQC claim. We had initially recommended that once the aftershocks settled that a check by a structural engineer would be prudent for those properties with no obvious damage to see if a claim should be made. Since those costs will not be able to be claimed if no damage is found, our recommendation is that everyone files the claim, and has the EQC assessment in due course. While this may take some time, it offers peace of mind in the long-term, and it also allows for damage not discovered for some time to be covered.

The Area Manager made a point that he did not want to see the situation arise where someone made a claim next year because someone had been into the roof space for the first time and found some cracked timbers, and be out of time to file, and then try to file but have an academic from Wellington argue that the damage could not have been caused by a 4.1 magnitude aftershock, say, which occurred on a date which brought the claim within 90 days of that event.

So, with the possible exception of owners of properties who have claims filed on their behalf by a Body Corporate, regardless of whether there is any known damage or not, [if you have not filed an EQC claim, you can click here to file one online now](#).

The question is how to fill the form in, particularly on Page 3 which asks for information about the damage, if you do not know of any damage. My recommendation will be to check Internal Walls/Doors and Other and then on Page 4 under comments note that there may be other damage that you have not been able to inspect, and that you would like the property to be assessed.

Thank you for reading this far...and as before, if you read some good advice, or hear of some important news from a reliable source that you think others would benefit from, I would be pleased if you could let me know so that I can pass it on.

Until next,

kind regards



**Nigel Bowden** BCom, BA, AREINZ

**FRANCHISE OWNER / BUSINESS MANAGER**

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