

It's six months on from the February earthquake in Canterbury and we're almost at the one-year mark for the September one. The Government has started sending out its offer letters to those living in the Red Zones (as announced on 23 June) and they've recently announced that more properties will fall into Red Zones. For many people this will mean that they have some certainty and options available to them. We've worked very hard to ensure that our customers in the Red Zone will have access to our settlement offers as soon as possible so that they can consider their options and make some important decisions. We have made progress on a number of other key issues as well.

Residential Red Zone (based on the Government's first announcement)

AMP Advisers and Brokers with customers that are in the Red Zone will receive a list of the customers that we will be communicating with and a copy of the information that they will receive. We will start sending out our offer letters to our first set of Red Zone customers within the week. Copies will be emailed to you so that you have all the details when customers contact you for advice. We have completed detailed surveys of all our customers' homes in the Red Zone and we're finalising the repair and rebuild costs for these. We're still receiving a small number of new claims, which we're sending out for surveying and costing on receipt.

AMPG Red Zone claims are handled by Lynn Winz, who is available on 0505 806 244 extension 135270 or redzoneclaims@ampg.co.nz. Given the large amount of Red Zone information available from CERA and other organisations involved, we appreciate that you will have a thorough understanding of the settlement options and processes but if you have any queries, our Red Zone team will be happy to take your calls or emails.

Rebuilding Christchurch

When the rebuild effort in Christchurch will begin is a question on everyone's lips. We have a multi-billion dollar cash reserve and large teams of trades-people ready and waiting to go. We've assessed almost every home that we have a claim for over cap damage (many several times due to the number of events) and have scoped the cost of repairs for around 70% of these. We have around 100 projects under construction and another 200 in the pre-construction phase but with the probability of further damaging shakes at over 80% (recently updated by GNS), the risks remain very high. However, we are encouraged by the recent decline in the number of aftershocks and we will begin moving many more projects into the pre-construction phase in anticipation that this trend will continue and allow us to begin the rebuild process in earnest.

* pre-construction refers to the phase when we create the architectural drawings and engineering/construction plans while talking to customers, establishing final costs, obtaining consents, tendering, site geotechnical investigations and site preparation.

Which projects get priority?

A number of factors will determine this. We have spent some time developing a model that identifies the ground shaking potential at a given address, considers the susceptibility to aftershocks of the structure being repaired or rebuilt and assesses other factors such as potential construction efficiencies from bulk building, individual customer vulnerability and the relocation preferences of those in the Red Zone. The model will produce an overall priority rating for the various projects and this will determine the order in which they will be moved into pre-construction.

Building code changes also impact on prioritisation. We think it's important that building work complies with the latest earthquake codes and these are yet to be finalised for residential builds.

The impact of increased earthquake hazard factors on Christchurch commercial building codes is still being worked through but underwriters will now need to take a much closer look at the earthquake prone status of commercial buildings.

AMP General will automatically issue contract works cover for any work we manage through MWH

Mainzeal. We'll also extend this cover to include damage to the existing structure. On completion, we will insure the finished project subject to no change to the earthquake risk levels that applied when we began the build.

Cash settlements

This is an attractive option for many customers and we are happy to discuss this option with customers. However, it's critical that customers obtain sound advice and make their decisions after being fully informed about the consequences of cash settling. Intermediaries play a vital role in helping claimants through their decision making process and we are happy to provide any information you need to assist your customers.

If customers decide to take a cash settlement and opt to manage their own repairs or rebuild, the availability of contract works and annual insurance will be subject to our underwriting appetite at the time. Existing customers will receive priority but capacity will be influenced by the prioritisation model discussed above.

Business interruption

We are currently reviewing our cycle of BI progress payments. These payments will reflect our up-to-date position, factoring in the better quality information now available on business trends in Canterbury (not as dire as some predicted!). It will also take into consideration that under some policy wordings higher payment levels may be available under a multiple event scenario such as this.

Temporary accommodation

With the 12 month anniversary upon us, cover for some customers who were forced to move out in September might be exhausted and they may require advice about the **Canterbury Earthquake Temporary Accommodation Service**. The service is available to insured homeowners, regardless of their income.

We will be in close contact with Brokers with customers in the Red Zone in the coming months as we work through some of the more technical issues that will affect these customers.

Ends.