

**METHODIST CHURCH OF NEW ZEALAND  
INSURANCE FUND  
EARTHQUAKE RECOVERY UPDATE**

14 June 2012



*(Board of Administration staff revisiting Morley House 21 May 2012)*

It has been some time since the Insurance Fund has been able to update the Church on the progress with earthquake recovery work and the insurance claim following the Christchurch earthquakes.

**Major Losses**

Significant progress has been made over the past two months with the loss adjusters in agreeing those buildings that may be determined a total loss either because they have been demolished following damage or where the repair bill now makes repair uneconomical and, in terms of the policy provisions, replacement values will be paid to the Church.

The list of properties that have now been declared total losses is extensive:

- Durham Street Church and Hall
- Aldersgate Office Building
- Chester Street Parsonage
- Silverdale Place Parsonage
- Opawa Church\*, Hall and Office Building
- Richmond Church\* and Hall
- New Brighton Church
- Beckenham Hall
- Kaiapoi Uniting Parish Administration Building

*(\* Subject to re-insurers confirmation)*

Reference has been made to the Richmond Church. This property has not been structurally damaged above its foundations but repairs to the foundations would involve lifting the church off its foundations and either piling to a depth of several metres or the construction of an extremely expensive floating raft foundation. The insurers have elected to treat the church as a total loss. Negotiations are still to be held with the insurers as to the future of the actual church building itself.

Whilst some proposals have been made which would provide for the Richmond Church being cut into sections and removed for re-erection elsewhere, the road ways out of the Richmond area are generally quite constricted and with numerous across carriageway electrical and telephone wires which would mean that the sections of the church to be transported would have to be comparatively small in size compared to the totality of the church structure.

The Insurance Fund and the Church share with parishes and congregations the grief at the loss of these treasured Church properties.

Pro forma designs for replacement buildings have been agreed with the insurers and quantity surveyors estimates of cost, including where necessary new foundation requirements, have been prepared and are being submitted to insurers. Prior to the settlement figures being agreed with the insurers the Insurance Fund will discuss with each parish concerned, the details of the suggested settlement.

It has been determined by the Board of Administration and the Synod that the insurance proceeds will be treated in a similar fashion to the proceeds of sale and will be held in the Church Building and Loan Fund pending a decision by the Synod on the strategic review of Church property in Christchurch and negotiations with the parishes affected.

In all cases of total loss the insurance settlement will, because of the unique provisions of the Church's insurance policy in place at the time of the major earthquakes, exceed the nominated sums insured provided by each parish.

It is hoped that settlement funds for the agreed amounts for each property will be received by the end of September 2012.

### **Minor and Moderate Repairs**

The minor and moderate repair work is now virtually completed with only minor touch-up or follow-up work left to be done.

The Church expresses its appreciation to Arrow International, Cooke Bros and their trades people for what has in the main been an extremely well handled and efficient repair programme.

### **Significantly Damaged Buildings**

There are a number of Church buildings where repairs are expected to be extensive and in the normal course of business to require a building consent from the local authority.

These include:

- Christchurch North
- Ashburton Baring Square
- St Luke's Union Parish Halswell
- Woodend Methodist Church
- St John's Bryndwr
- Lyttelton Union Church
- St John's Redcliffs

Design work is currently underway for the repairs to be completed for Lyttelton Union Church, St John's Bryndwr and St Luke's Union Church Halswell.

These will then be followed by the other churches to be repaired although there are still significant discussions to be held particularly around the methodology to be used for the repair processes for Ashburton Baring Square and Christchurch North.

In all cases the repairs to these properties will most likely be caught up in an insurance industry wide review of insurance company liability with regard to the imposition of earthquake strengthening requirements from local authorities.

As can be imagined, the cost of bringing damaged properties in the greater Christchurch area up to earthquake code compliance and particularly where the local authority (as in the case of Christchurch City Council) has an expressed target/requirement for buildings to be strengthened to 67% of current code is very large and insurers and their re-insurers are looking to meet only their legal obligations..

There appears to be little argument in respect of the coverage provided by the Methodist Church of New Zealand policy which requires the insurer to meet the properly imposed requirements of the local authority with regard to strengthening, both for the damaged and also the undamaged portion of buildings where the Council issues a building consent for the work to be done.

The insurance industry is challenging the local authorities ability to issue building consents in respect of quite significant earthquake repair work or, where consent is required, the ability of the local authority to require earthquake strengthening.

This is an issue with much wider ramifications than just the Methodist Church of New Zealand and the Church is involved in discussions with its insurers, its legal advisors, local authorities and other insured parties looking for a pragmatic solution.

There are three Church properties that do not appear in either of these lists. The first is St John's Addington, the home of the Christchurch Methodist Tongan congregation. The church and hall have suffered significant cosmetic damage and engineering investigations have shown the two buildings to be significantly earthquake prone. The economic value of strengthening these very old buildings has been questioned particularly as the weakness within the buildings relates to its age and construction methods, not any earthquake damage. The two buildings are closed and the congregation worships at St Marks Somerfield whilst the future of the buildings is determined.

The second building is the Connexional Office at Morley House, Latimer Square. The current repair estimate for Morley House is very close to the threshold economic value for being considered a total loss. Further investigatory work is being undertaken to more accurately determine the likely foundation and piling work that may be needed in any repair and reconstitution of the Morley House property.

The latest reduction of the Red Zone which occurred on 21 May 2012 has freed up access to Morley House which is now just outside of the cordon. The Connexional Office is moving to remove all archival and other records from the building which are going into a leased storage unit in Wairakei Road. The office staff together with General Secretary, Rev David Bush, the former General Secretary, Rev Jill van de Geer, and the Chairperson of the Board of Administration Ruth Silverstone gathered at Morley House on the morning of Monday 21 May 2012 for a short service of commemoration, followed by lunch in the driveway.

The third building is Wainoni Church which is only very moderately damaged and in the normal course of events would be eminently repairable. The Insurance Fund however has not been able to authorise repairs at Wainoni because the Church sits within the residential Red Zone and there has not yet been a decision made as to how commercial buildings in the Red Zone are to be treated. It may be that the Church could get access off an adjoining road which is outside of the Red Zone but there would also remain questions of services for such properties such as power, sewer, water etc.

If the building is to be retained the Insurance Fund will move to complete the repairs which have been scoped and costed.

### **Claims Process**

The work involved in the insurance claim has been extremely complex and complicated and the Church has previously recorded its appreciation of the assistance provided to it by its project managers, Arrow International Ltd, the engineers Structex Ltd and the loss adjusters appointed to the claim McLarens Young International.

As the claim has matured and reinsurers have become more directly involved in claims settlement the Church has also been required to negotiate and work with international engineers and quantity surveyors. Whilst this has delayed preparation of the Church's claim it has meant that when the claim is finally prepared, most of the discussions that would be required to be held with the insurers would have already been undertaken and resolved.

### **EQC Residential Properties**

The Insurance Fund has notified the Earthquake Commission of over 400 claims on just over 100 residential properties. Two dwellings, Silverdale Place and Chester Street, have been adjudged total losses and arrangements are being completed for settlements apportioned between the Church's insurers and the Earthquake Commission.

A further dwelling, being the Wainoni Church Parsonage, is in the Red Zone and while the property is not significantly damaged the Church will receive an offer from CERA for the sale of the property in common with all Red Zone property owners.

The Insurance Fund has been continuously frustrated in its endeavours to deal with the Earthquake Commission on the multiplicity of claims for a large number of residential property units (including residential retirement units). The Fund sought the assistance of the Earthquake Commission, local Members of Parliament and other groups in having the Earthquake Commission appoint a claims manager to assist the Church by being their initial point of contact and who had some authority to see the claims process moved along.

The Insurance Fund is pleased to report that at the end of May 2012 a claims case manager was appointed and it is hoped that steady progress will now be made with all outstanding residential claims.

### **ACS (NZ) Ltd (formerly Ansvar New Zealand Ltd)**

It has previously been reported that ACS (NZ) Ltd has concluded all insurance cover in New Zealand and it now exists only to resolve and pay outstanding claims.

It has also been reported that the company was under significant financial pressure particularly with regard to the February earthquake where the potential claims may approach the total of the reinsurance covers available to ACS (NZ) Ltd for that one event. For all other events, there is unlikely to be a breach of the re-insurance caps.

As a precautionary step and in case the re-insurance cap is breached for the February 2011 event, the company has promoted a Scheme of Arrangement which would provide for the orderly settlement of claims if the company became technically insolvent rather than relying upon the general provisions of the Companies Act. The scheme was roundly supported at a meeting of claimants/policyholders held on Tuesday, 21 June 2012.

The Insurance Fund has supported the Scheme of Arrangement which will not come into effect unless the re-insurance caps are breached. Should the scheme come into effect, the Methodist Church of New Zealand will be represented on the creditors' committee elected by claimants. Currently, ACS (NZ) Ltd continues to meet its obligations as they become due.

### **Seismic Investigations**

Following the decisions of Conference 2011, the Connexional Office has published information concerning the review of Church properties, particularly those south of Huntly to determine the likely seismic strength of Church buildings.

Discussions are currently underway with four national engineering firms to provide initial reports and a decision on the awarding of the contract will be made by the end of June.

Conference 2011 resolved that the cost of these initial reports was to be met by a charge on the Church Building and Loan Fund.

Further consideration has been given to this and the President has agreed to review that decision of Conference with the cost of the inspections now being met by the Connexional Fire Insurance Fund and the Insurance Fund. It was considered that the structural strength of Church buildings had a more immediate impact on the insurance arrangements, hence the change.

Details of an inspection programme will be provided to all districts as soon as this is available.

Parishes and congregations are reminded of the decision also reached at Church Conference that any building that is found to have a seismic strength below 33% and therefore is considered earthquake prone is to be vacated and not used until either an engineering certificate is provided confirming that the building is safe to continue being used or the building is repaired and strengthened to 67% of current building code.

Where buildings are found to have a seismic strength of between 34% and 66% of Code those buildings may continue to be used but plans will need to be prepared determining how the buildings may be strengthened to at least 67% of current seismic code and a programme for that work agreed with the Connexion.

### **Insurance Renewal**

The placing of Church insurance cover for the 2012 year was a long and difficult journey. The Insurance Fund believes the cover finally arranged is a good balance of cover (including earthquake and natural disasters) and premium costs. The National premium rate across all Church property including liability covers has been continued.

The Insurance Fund is grateful for the support of the Connexion

**Greg Wright**  
**Executive Director**  
**Methodist Church of New Zealand**  
**14 June 2012**