

## Christchurch One Year On

# A FORGOTTEN CITY?

A year on from the earthquakes in New Zealand, while the Christchurch disasters may be slipping out of public consciousness, the work to rebuild the city continues

By Benedict Burke

**D**t's not unusual for major catastrophic events to take on a transient feel as time goes by. Natural disasters requiring the support of insurers and adjusters are sadly all too frequent to remain in the memory, except for those directly involved, for very long.

For just over a year, Christchurch in New Zealand has endured the aftermath of a series of devastating earthquakes that rendered vast swathes of the city completely uninhabitable. The earthquake, on 22 February 2011, struck in the early afternoon, causing widespread damage to New Zealand's second most populous hub, its infrastructure already been weakened by an earthquake in September. 185 people were killed, with the region experiencing more than 10 000 aftershocks in the following 12 months.

### Cordoned off

On visiting Christchurch, there is a palpable sense that it is a forgotten city. Its once thriving commercial business district remains cordoned off, requiring authorised access, with the conditions reminiscent of many UK cities during the 1960s and 1970s, where plots of land were still disused following Second World War bomb damage.

Continued seismic movement has placed residents on continual alert, with health and safety remaining paramount. However, the relentless physical damage caused to the city's crumbling buildings represents a significant professional challenge for insurers, engineers and adjusters. Only recently, two six level apartment blocks were condemned for demolition by the Canterbury Earthquake Recovery Authority after the most recent quake on 23 December.



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The reconstruction of the city is essential to the entire economy of the South Island. The current focus of the insurance industry is on engineering evaluations and demolitions and shoring up repairable buildings, while insurance settlement strategies and negotiations are underway.

The challenges are significant and Crawford has partnered with its New Zealand

Associates TPA Godfrey adjusters, while the Crawford Global Technical Services adjusters are expected to be in the country for at least another six months and possibly longer.

Crawford GTS adjusters had their work cut out after the 2010 Chile earthquake that struck almost exactly one year earlier, but Christchurch has proven a more complex task. Technical challenges such as building code issues, underinsurance influencing reinstatement options and uncertainty around the insured's continued investment in Christchurch has made this situation unique. The city has depopulated, damaging confidence in business and the wider economy; despite the government and CERA's best efforts to encourage a return, such as the June 2011 buyout offers it made for 5100 properties in Christchurch, the fear factor may be an influence.

Nevertheless, the picture may not be entirely bleak. Christchurch was a growing and economically viable city before the quakes, and it has no serious rival as the South Island's main urban centre.

### Shifting sands

Adjusters have faced an enormous challenge in keeping their insurer clients apprised of their liabilities as Christchurch has become a town of shifting sands. From a literal point of view, underground liquefaction is a significant by-product of the major earthquakes that have taken place.

A huge amount of effort has gone into finding sustainable, creative rebuilding solutions which can counteract the effects, including the resurrection of 17th Century deep-piling techniques designed by architects who grappled with the same problem in Amsterdam during the Age of Enlightenment.

However, problems have emerged, causing headaches for property and professional indemnity insurers. With rebuilding being the preferred option, uncertainty around the building code in New Zealand has thrown a spanner in the works.

It is understood that lobbyists are pushing for a change to the rules, with buildings earmarked for repair under one set of guidelines possibly subject to much stricter rules.

Together with continued seismic movements, this may have a significant impact on the insurance liabilities of the exposed carriers. The outstanding question is whether building strengthening can be linked to the required consent to repair and should there be an automatic legal requirement



to undertake those repairs? Consequently, the argument over who accepts financial liability is an important question.

Possible changes in the required seismic tolerance levels within the New Zealand building code, and who will take financial responsibility for these, remains unclear. The issues are yet to be decided by the government, and opposing concerns are being laid bare. On one hand, engineers are in favour of increasing those tolerances to safeguard against future professional indemnity litigation and keep themselves covered; on the other hand, property carriers could see their reinstatement costs rise.

Under the current requirements the original building needs to be constructed to within 33% of new standards or be able to withstand another moderate earthquake. If this is lifted to more than 65%, as some are hoping, this could place buildings that were within acceptable tolerances into the bracket for demolition or significantly greater repair.

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One year since the quake, Christchurch may be about to find its way towards a sustainable path for reconstruction and renewal. The way the insurance industry and government have worked together on many aspects of the recovery has been impressive but many challenges still remain.

### Building momentum

The government needs to step in and kick start some key developments to create recovery and build momentum; this is demonstrated by plans submitted for a possible new convention centre. Meanwhile, the state has already demonstrated its strength by committing NZ\$20m (£10.4m) to a new, temporary sports stadium constructed after the city's arena was badly damaged prior to the 2011 Rugby World Cup.

For now, loss adjusters remain at the coal face and will do for some time to come. The scale of their task is illustrated by the fact that CERA has expressed a need for 20 000 to 30 000 additional building workers once the full reconstruction is underway.

Like any natural disaster, the Christchurch earthquakes may struggle to remain headline news, but the insurance industry has played its part in helping people, and the city itself, back on its feet. ■



**Benedict Burke**

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