

## BAY OF PLENTY EARTHQUAKE: AN OUTLINE OF THE EARTHQUAKE AND WAR DAMAGE COMMISSION'S ROLE

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### INTRODUCTION

Legislation sets down that the Commission is charged with the duty of executing the provisions of the Earthquake and War Damage Act and to exercise such other functions as are conferred upon it by the Act and any Regulations.

The Commission is given no other powers. It is merely charged with the administration of the E Q W D legislation and cannot do things or approve things not authorised by legislation.

The Commission is primarily concerned with policy matters. Administrative matters are my responsibility and I answer directly to the Minister in Charge of the Commission who is the Hon Roger Douglas with assistance from the Hon Peter Neilson.

Although the Commission operates solely from headquarters based in Wellington, over recent years it has adopted a policy whereby it has set up office on site wherever a disaster has occurred. This is in order that the public could both lodge a claim and discuss any matters directly with Commission staff.

### THE HANDLING OF CLAIMS

In the Eastern Bay of Plenty earthquake I and the Deputy Secretary arrived in Whakatane at 10 a.m. on 3 March, the day after the earthquake, after firstly making contact with the Regional Controller of Civil Defence at Rotorua.

The first claims reporting office was opened at Whakatane from midday on 3 March 1987 and on the following day offices were opened at Edgecumbe, Kawerau and Te Teko. Clerical assistance was obtained through the General Manager of the State Insurance Office and some private insurance companies to staff the four offices. There were nine additional clerical staff seconded as clerical support from around the North Island. Local insurance company clerical staff were not used as naturally they are extremely busy within their own offices with claim matters and certifying insurance details to the Commission.

I also brought in 46 insurance assessors from as far away as Invercargill and the individual assessors brought with them the appropriate support assistance - tradesmen and the like. The Commission has an approved list of assessors who have agreed to travel wherever required by the Commission to any large disaster. Every assessor on the approved list attended the Eastern Bay of Plenty and in addition I brought in a further four assessors.

The method of attack when the Commission staff attend a disaster situation is to immediately go to the area to view the damage to ascertain the resources required from our point of view. We liaise with the local member of parliament, Minister in Charge of the E Q W D Commission, Civil Defence, Local Authority, Health Inspector and the insurance industry.

We then prepare to open an office in a Local Authority, Government building, or whatever is allocated by the Civil Defence authorities for both the receiving of claims and answering enquiries. Arrangements are made for suitable independent loss adjusters to come to the area and allocate districts to them for economy of operations. On arrival of the loss adjusters we brief them on our requirements. Also engineers, quantity surveyors, valuers, geologists, bricklayers, builders and others are called in to assist.

Another important aspect in a disaster situation is to keep the news media informed of what decisions have been made. By continuing to give them updates on the situation they will keep the public informed of what messages you wish to get across to them. In effect it is free and effective advertising.

In the Eastern Bay of Plenty earthquake I spent three weeks in the district directing the Commission's operations and then returning to Wellington to face the inevitable paper war. After four months from the date of the earthquake, 95% of the domestic claims had been paid.

### INSURANCE COVERAGE

The district will spend many months, and years restoring, repairing, and replacing assets and possessions damaged or lost as a result of the disaster. Many people too will lose financially through having insufficient insurance or in some cases, no insurance at all. Total insurance claims

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lodged with the insurance industry are estimated to be between \$250-\$300 million and claims against the E Q W D Commission are estimated between \$100-\$110 million. The cost of uninsured losses will never be known but it is estimated about 750 houses were uninsured. No one to date has been able to predict when and where the next earthquake will occur nor the degree of its intensity.

It is this uncertainty and risk that provides the basis for insurance protection but there has been plenty of confusion and misunderstanding as to what insurance is available under various policies. Many home owners and small businesses in the Bay of Plenty for example were not properly insured and will have to meet many uninsured costs themselves.

It is important to understand what is insured, what can be insured, what is not insured and what cannot be insured. The E Q W D Fund pays only indemnity value on property not excluded by the regulations which are insured under a contract of fire insurance.

It is concerning that there is a high level of misunderstanding amongst the public on how the system of Earthquake and Disaster insurance works in New Zealand. - The principles are really very simple. - If you have fire insurance you automatically have earthquake insurance.

For your earthquake insurance a levy of five cents for every \$100 of cover is paid through your insurance company to the E Q W D Commission.

- In return for that levy, you are insured up to the sum insured under your insurance policy or the indemnity value of the property insured, whichever is the least.

- Indemnity value is broadly speaking putting the person back in the position he was prior to the loss with no betterment. It is not replacement value. If you wish to insure the difference between the indemnity value and the replacement value, you can do so if you wish, purchasing the additional cover in the ordinary way from an insurance company. The Commission received and handled 5,480 claims from the Eastern Bay of Plenty earthquake and to date has paid about \$95m.

#### RECOVERY ASSISTANCE

Disasters may seriously affect the physical and emotional well being of large numbers of people and the Eastern Bay of Plenty experience was no exception. Individuals may experience separation from family and personal losses of housing, employment and income. Communities are affected by severe damage to public services.

The aim of disaster recovery is to restore as quickly as possible the quality of life in a community to we hope the same levels as before the disaster. This can take a relatively short time or may take many years.

Usually the priorities of recovery assistance follow this sequence:

1. Safety of individuals
2. Social restoration
3. Economic restoration
4. Physical restoration.

The insurance industry and the Commission are involved in items 2 and 4 (social restoration and physical restoration). The community must know that outside assistance and guidance is available where they hold the appropriate insurance cover and the insurance industry and the Commission must react promptly and efficiently to reasonable requests. It is equally important that outside assistance withdraw into the background when not required. The community must feel that it is in control and the outside agencies are there merely to assist.

#### SUBSEQUENT OBSERVATION AND ACTION

Observations made following the 'quake suggest that a substantial proportion of the damage suffered could be related to the design and detailing of structures. Examples are tanks which overturned due to failure of holding down bolts. In many cases the damaged structures were designed to standards which, while accepted at the time of construction, are now known to be non-conservative and inadequate for ensuring reasonable earthquake resistance. If the structures which suffered damage are examined in the terms of current earthquake codes and design practice it is noted that some failures could have been predicted. In some instances it is clear, that modifications involving relatively modest cost could have prevented the costly failures that occurred during the earthquake. In fact the earthquake can be considered a moderate rather than severe event.

On 21 August 1987 the Commission held an assessors' debriefing seminar in Wellington which was attended by 42 of the 46 assessors who had worked in the Bay of Plenty.

Some of the main points which were taken on board from the discussion were -

1. The appointment by the Institute of Loss Adjusters of a liaison officer from one of their members to speak on behalf of all assessors and to be the main point of contact with the Commission.
2. Controlling workloads of assessors more strictly.
3. Endeavour to get more consistency in rates and bases of depreciation applied to arriving at indemnity values.
4. Endeavour to achieve a better consistency in local labour rates and material prices.
5. Bring in a quantity surveyor at the outset to co-ordinate tradesmen and suppliers.

6. Produce a register of all available services.
7. Divide the disaster area into geographical zones with the assistance of locals.
8. Once the disaster recovery is underway and the Commission staff return to Wellington a regular circular to be issued by the Commission on progress made and any problems encountered.
9. An additional question placed on the Commission claim form to endeavour to ascertain the seriousness or otherwise of the damage, e.g. are you now able to live in the house?

FUND BALANCES AND THE ESTIMATE OF THE  
MAXIMUM PROBABLE LOSS IF THE SAME SIZE  
EARTHQUAKE STRUCK WELLINGTON

The Earthquake and War Damage fund from which earthquake claims are met currently stands at \$1 billion. Earthquake is the greatest threat of damage to property in this country and of course the fund needs to be substantially increased in order to meet an aggregation of loss which would arise from a strong earthquake centred near one of the larger built up-areas such as Wellington. For Wellington alone one would be looking at between \$3 billion and \$9 billion as the maximum probable loss.

The disaster fund from which claims for disaster (hydrothermal activity and volcanic eruption claims), landslip claims and land claims are met, presently stands at about \$40 million.