

ANNUAL PUBLIC MEETING FACTSHEET 2016

Embargoed until 12 noon, Friday 7 October 2016

Since Southern Response was established in 2012, we have successfully settled just under 80 percent of our nearly 8,000 over-cap claims and 98 percent of our 21,706 out-of-scope claims.

Year in review

- As we enter the final stages of our programme, we are firmly focussed on working closely with our approximately 1,700 remaining customers to settle their claims as quickly as possible
- We have received 370 claims and settled 1,414 claims in the past year
- We have seen an increase in the number of people opting to cash settle, with 75 percent of customers choosing this path in the last quarter. Over the last 12 months 818 people have opted to pursue a cash settlement versus 421 in the previous year, signalling greater customer confidence in self-managing their next steps
- At last year's Annual Public Meeting Southern Response committed to settling 90 percent of the over cap house claims we held, by mid-2017. We remain on track to reach our target for the claims notified to us at that point and to settle our remaining customers as quickly as possible
- We are introducing a number of new initiatives to settle our remaining customers faster so they can move on with their lives. It is anticipated that some of the more complex and litigated claims may take longer to settle

Refining our approach

- There is a growing need to align our resources with increasing customer demand for cash settlements over Southern Response-managed repairs or rebuilds. Customers and staff want clearer timeframes around individual settlements and the wind-down of the organisation. In response to these needs, we are setting a deadline of 30 June 2017 for customers to enter our building programme with signed build contracts
- We are communicating this now to give customers, our contractors and project management company as much time to plan for this as possible and are working closely with EQC to ensure a swift handover of those customers still likely to go over-cap
- We will continue to support the management of repair and rebuild projects for those customers we recognise as being very vulnerable post the 30 June 2017 deadline

- Southern Response and Arrow staff are committed to managing the remaining construction work for customers with build contracts signed prior to 30 June 2017 and by having confirmed final numbers for our construction programme, we will have much better clarity on the resource required to do this
- We will still maintain an appropriately sized project management setup in conjunction with Arrow and our construction partners after 30 June 2017, to ensure the timely and quality completion of remaining repairs and rebuilds. We envisage a build programme being in place for at least 12 months from this date
- We have reorganised our operations structure to help us settle claims faster and best assist staff and customers through this final phase. The refined structure will make it easier for the right people to get involved at each stage of the settlement process to keep claims moving forward. Claims specialists and Project Managers will also have fewer claims to manage
- Based on staff and customer feedback on the need for a more transparent, streamlined and timely settlement process with mutually agreed timeframes for sharing information and decision making and clear impacts for missing those deadlines
- Customers will still have all the same access to support, and ample time to talk things through with loved ones, do their due diligence and engage third party expert advice if they want an independent view of their offer. These timeframes will give customers certainty on when they will hear from Southern Response and when they need to make decisions

Financial summary

- Crown funding and support underpin the solvency of the company and provide certainty that we can meet our claims settlement obligations. These funds include a \$500 million preference share facility subscribed to on April 2011 and a \$500 million ordinary share facility subscribed to on 31 January 2013
- At 30 June 2016 the \$500 million preference share facility had been fully utilised and \$100 million of the ordinary share facility had been utilised
- Southern Response requested and has had approved an additional \$250m from Treasury in June 2016 to provide certainty in fulfilling our commitments in case of increased costs, and to cover unforeseen risk
- The estimated costs of settling claims have increased due to the growing technical challenges of the Christchurch rebuild, ongoing receipt of new over-cap claims and compliance requirements. We are committed to responsibly managing the taxpayer money that underwrites these settlements
- As of 30 June 2016, claim settlement payments and operating costs total \$2.228 billion. The estimated gross cost of insurance claims is \$2.904 billion and Southern Response's forecast for Crown support requirements is \$1.132 billion

Support for our customers

- Following a successful pilot programme with Southern Response that helped many customers progress their claim, Breakthrough Services has launched an independent free service supporting our customers to have constructive, externally facilitated conversations to achieve claim settlements

- We have made significant progress in settling repair claims. Our improved delivery of the detailed repair assessment (DRA) now includes supplying engineering and geotechnical reports to help explain the proposed repair methodology sooner in the process
- Providing reassurance to our customers around their Southern Response managed repair or rebuild has been pivotal. We have continued to refine our end-to-end quality management framework, and continued training for our staff and contractors. This rollout has also included developing integrated Health and Safety and Quality systems

Managing complex situations for our customers

- We continue our focus on supporting customers to use less costly and more efficient methods of dispute resolution than litigation, including mediation, Breakthrough Services, Residential Advisory Service or the Insurance and Financial Services Ombudsman
- We remain genuinely concerned about customers being signed up to the proposed amended class action without being fully informed on the conditions. We have seen the number of customers signed up to this action decline
- Shared property can be complex and we have a dedicated team who specialise in working with customers who hold a shared title. Our team work closely alongside the homeowner, loss adjustors, project managers, contractors and other insurance companies to settle these claims
- Southern Response and Arrow's technical resources continue to provide support to many of the key industry challenges, with significant contributions to the Christchurch City District Plan, the review of the Canterbury Property Boundaries legislation, and coastal erosion challenges

Future outlook

The company's key areas of focus in the 2016-2017 financial year are:

- Continuing to achieve fair settlements with our customers that meet the obligations of their policy, and settling our remaining customers as quickly as possible
- Supporting those customers whose claims have been recently confirmed as over-cap to receive a full technical evaluation prior to being presented with settlement options, enabling earlier, informed decision-making
- Continuing to support our vulnerable customers' claims towards resolution
- Ensuring the size and structure of our organisation remains fit-for-purpose. This will be influenced by the number of active claims, along with the increasingly complex nature of claims that are yet to be settled as we move into our final phase
- Focusing on the closure and retention of claim documentation and other relevant information in anticipation of the eventual project closure.

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