

382 Colombo St
Statement of Peter Avnell

My name is Peter Avnell

Qualifications

I am 60 years old and a Chartered Loss Adjuster. I have been working in the Insurance Industry for over 40 years. I set up my own Loss Adjusting Company about 30 years ago, although it wound up and I became an employee of Cunningham Lindsey in 2006. I am a Senior Adjuster with that company.

In 1989 I was actively involved with the assessment of earthquake related damage to the city of Newcastle, just north of Sydney. It was hit with an earthquake registering 5.8 on the Richter scale, from memory. There were over 45,000 properties damaged. I was personally involved in the management of about 1300 and it took over 3 years from beginning to end to manage those claims.

In 2010 I went to Kalgoorlie in Western Australia, which was struck by an earthquake, which registered 4.2 on the Richter scale. It damaged about 1000 properties. I assessed about 160 with 40 still current.

I had visited Christchurch in November 2010 to assist with earthquake related claims following the first tremor in September. I spent about 14 days and inspected about 50 properties.

I returned to Christchurch in early January 2011 after the Boxing Day earthquake and spent 10 days in the city and inspected another 40 or so.

The claims I managed in Christchurch ranged from relatively minor stock loss matters, some rural claims but most of my time was spent in and around Christchurch.

I believe I am the only Australian Adjuster that had two tours of duty in Christchurch.

The largest claim that I inspected involved a 5 storey commercial property in the CBD, where I had placed an estimate to repair it at 4.2 million dollars.

Of all the claims I inspected I would have recommended to the Insurers that about 40% of the properties be considered as technical total losses. On the domestic front, this was mainly due to the influence of the liquefaction more than the extent of structural damage to the properties.

Earthquake claims are not a common phenomenon in Australia, but with my experience dating back to 1989, I would be fairly confident in suggesting that I have handled more earthquake related claims than any other Australian Adjuster working today.

My experience, however, would pale in significance when compared to New Zealand based Adjusters.

Site Inspections

As with most claims we are simply given a Manilla folder with a name and address on it and that is where we start. When I first went to Christchurch in November 2010, I picked up three files where Mr. Yan was the property owner. These properties were situated at 490 Colombo Street, 384 Colombo Street and 382 Colombo Street.

The only point of contact I had was the Insured's son, David and I had a little trouble getting a hold of him. I conducted preliminary inspections of the property in the absence of any other party and this was primarily to familiarise myself with the buildings involved. All three properties had barricades across Colombo Street. It appeared, at the time, that all three properties appeared to be vacant although this did not prove to be the case.

At the time of my initial inspection, I was concerned about all three properties. It was quite apparent that the awnings at the front of the buildings had bounced and were unstable.

I could not detect any sign of significant cracking to the external facades of the buildings as they faced Colombo Street. The property adjoining 490 Colombo Street and being a neighbour of the Insured, appeared to be badly damaged and all indications were that it was to be demolished. This did prove to be the case. I was concerned about the influence this would have on 490 Colombo Street.

At the time of my initial external inspection I could not examine the rear of the buildings nor gain access to the interior.

I departed Christchurch but maintained contact with David Yan and informed him that I would be returning to Christchurch shortly after Christmas. Indeed, one of the reasons I went back was to have a look at all three properties owned by this client.

Communication with David had established that he had engaged an Engineer to inspect the properties and we organised for a joint meeting to take place, which included myself, David and the Engineer.

The first building we inspected was 490 Colombo Street. By January 2011 the adjoining property had been demolished. We were able to gain access to the interior of this building. The lower level shops had been vacant. There had been tenants in the upper level quarters although they vacated after the September 2010 earthquake. This building appeared to be in relatively good condition and indeed, the upper level living quarters had been renovated prior to the September 2010 earthquake. As a result of my inspection of this building, keeping in mind that it was not only affected by the September 2010 event but also the earthquake on 26 December 2010 and the demolition of the neighbouring building, I considered it to be a total loss, that being beyond economic repair, when considering the sum insured.

In the company of both David and the Engineer, I then inspected the properties at 382 and 384 Colombo Street. As far as 382 Colombo Street is concerned, I noted that tenants were still in occupancy. This building was showing its age. There were indications of old settlement and movement in the brickwork at the rear of the building and this was reflected inside as well. It was also quite evident that the two earthquakes had caused cracking of the internal walls. This is shown in the photographs attached.

Internally, the condition of both the residential quarters and the shop left a lot to be desired. It seemed to me that there had been little money spent on this building over a long period of time.

In the company of the Engineer and David Yan, we ventured onto the roof and conducted an inspection. I made note of some cracking in a wing wall on the southern side (see photograph). This cracking appeared to be old. I recall seeing some hairline cracks in the parapet, which appeared to be old shrinkage related cracks. It was on a tilt, by about 3 degrees lean but going back towards roof, not the neighbouring property.

I recall making note of the chimney, which was also cracked but it showed signs of movement caused by natural settlement and age as well.

I then inspected the property at 384 Colombo Street and noted extensive cracking to the external masonry and internal linings. At the conclusion of my inspection, I formed the opinion that both of these buildings were beyond economic repair when taking into account the sum insured.

I asked the Insured's engineer if he would be kind enough to prepare reports on the extent of damage to all three properties and provide them to me so that I could pass them onto the Insurers for their consideration.

Observations and state of safety of the parapet and gable walls

At the time of my inspection I was concerned about the wing wall, which was displaying signs of aged cracking. I considered it a potentially dangerous.

I was however, keen to obtain reports from the Engineer so that I could advise the Insurers on quantum issues.

During my meeting with David Yan, I informed him that from my perspective all three buildings were a total loss and I would be recommending that the claims be settled on a cash basis, as there was simply insufficient funds available under the contract of Insurers to do anything else.

There were no discussions, that I can recall, between myself, David Yan or the Engineer about any emergency work that would be required or any fears of imminent danger, although I do recall suggesting that it might be an idea if the tenants were asked to vacate.

General Comments

With properties such as these, when they are considered as a technical total loss, we have some fairly standard procedures we must follow. Apart from reporting to the Insurer on our findings and opinions, we then seek to support those thoughts with an opinion from a qualified expert, thus the need for an Engineer's report.

The Insurer, or the Adjuster, will then arrange for a valuation to be obtained. This is not necessarily a quote to repair the building, but more a valuation on its current day replacement value, for we need to demonstrate that the sum insured is exhausted.

Such a valuation was obtained.

To my knowledge a report from the Insured's Engineer was never forthcoming.

Other procedures one would follow would be to obtain Title Deed documents and thereupon negotiate settlement on a cash basis. Once that is achieved the Insured would need to make their own arrangements regarding demolition and clearing the site.

Where a property is considered as a total loss, the Insurers will not take this step on behalf of the Insured without consent and agreement to do so from the property owner.

I might also mention that I had grave concerns about three other properties in Christchurch following my tour in January. One was a 2 storey commercial building. The Adjuster whom originally inspected it estimated repair costs at \$25,000.00. After the Boxing Day Earthquake I recommended it be written off at \$650,000.00. I also inspected a 5 storey commercial building in the heart of the CBD. The original Adjuster recommended a reserve of \$75,000.00. My reserve, after reinspection went up to 4.2 million dollars.

I was also concerned about another property at Lyttelton. It was a 2 storey commercial building with flat above. It had significant damage to a parapet wall. I am told by that owner that following the February earthquake that building is now earmarked for demolition.

I elude to these three matters for, in all honesty, they were the ones I was most concerned about for safety reasons. Apart from the property at Lyttelton I am not aware of the fate of the other two.

At the time of my meeting with the Insured's son and Engineer I did advise that in my opinion, all 3 buildings were beyond economic repair and I would be reporting to the Insurers to that effect.

However, as there were components of the buildings used for domestic purposes, the EQC would have jurisdiction over all 3 buildings.

Until such time as EQC had conducted their inspections and determined their liability and appropriate course of action, there was nothing more I could do other than requisition a report from the Engineer, obtain valuations and do a title search.

I was compelled to send the files back to New Zealand before any of that documentation was in place. That would have been in February, only a matter of weeks after my inspections.

The buildings were knocked about by the September 2010 quake and the one on Boxing Day was almost as big but a lot closer and more shallow.

If the wing wall was to collapse I would have expected that following the Boxing Day event. Please keep in mind that my inspection took place after that second major event.

I was concentrating on the damage to the buildings as a whole.

I did not ask the Engineer if he thought that an emergency make safe was necessary nor did he suggest this either. I do not recall making any specific reference to the integrity of the parapet or wing wall during my discussions with the Engineer..

Even if he had, I would have had to communicate this to EQC and the Insurer before anything could be done.

23rd November 2011

Date



Peter Avnell























