

## Making your Southern Response build decision

Southern Response recognises the decisions around building a house are amongst the most important that anyone has to make; all the more so following the effect of the Canterbury events. We want you to have all the information you need to do this when you are rebuilding with us.

Southern Response has two options as to how we can rebuild your house for you:

1. '**Replicate to Policy**' means your house will be rebuilt to its previous characteristics, using building materials and construction methods in common use today. This is the available AMI insurance policy response.
2. '**Flexi-build**' means taking the replacement sum we would have used to build your house under the Replicate to Policy option and allowing you flexibility to build your new house.

There are rules for each option that are important for you to understand:

### ***Replicate to Policy***

1. Your new house will be designed and built up to the floor area specified in your policy schedule.
2. The design and quality of your new house will be comparable with your previous house.
3. We will use building materials and construction methods for the new house that are in common use.
4. As settlement on this basis has restrictions, we will not be able to agree to requests for you to pay for additional work that did not form part of your previous house to be included in the building contract.
5. We will not be able to agree to trade-offs for the design or materials from your previous house for the new house that is built for you.
6. We will only allow changes to design and materials to build the new house if it is necessary to meet the Building Code or other legislative requirements.
7. Any increase in the cost to build your new house due to escalation will be met by us.
8. If you choose to Replicate to Policy with Southern Response and later want to settle your claim in a different way (such as self-managed build or buying a house), you must reimburse us for the costs incurred for any design work and defining and preparing the specific details of the building work for the new house.

### ***Flexi-build***

1. Your flexi-build sum is established from the final DRA prepared by Arrow; the sum will be based on the following separate elements:
  - a. The cost of replacing your previous house excluding the foundation in accordance with the policy conditions;
  - b. The cost of a standard foundation\*, up to the insured floor area specified in your policy schedule
- \*We will also pay for any enhanced foundations required at the site for your new house, up to the insured floor area specified in your policy schedule. Any enhanced foundations at the site will need to be agreed to by us first.
2. We may review the flexi-build sum in response to escalation of the cost of labour and materials, depending on when your flexi-build was agreed and when the build commences.
3. In addition to the agreed flexi-build for your new house, we will also pay Council consent fees sufficient to rebuild your previous house, reasonable and necessary costs covered under your policy, including demolition, engineering and surveying fees.
4. Southern Response will choose your builder. If we choose a builder that is not acceptable to you, we will make another choice for you. We will take into consideration any views you may have regarding builders.

5. There may be financial contributions to the build of your new house that you have to make, including:
  - a. Any additional sum for the new house excluding foundation that exceeds your flexi-build sum.
  - b. The cost of foundations, proportionate to any increase in the floor area of your new house compared to the floor area specified in your policy schedule.
  - c. A contribution to the insurance premium for contract works insurance.

These contributions will be in addition to the payments you must make to us for funds you have received from the Earthquake Commission and any excesses payable by you.
6. If an unexpected event or issue does arise during the build, we will share that cost with you in the following way:
  - a. If the increase in cost relates to the house, your contribution to the increase will be proportionate to your contribution to the cost of the house.
  - b. If the increase in cost relates to the foundations, your contribution to the increase in cost will be proportionate to the increase in the floor area of your new house compared to the floor area specified in your policy schedule.
7. If the design decisions you make for your new house means that resource consent is needed, you will have to meet that cost.
8. If the new house would take significantly longer to build than if we were replicating your previous house, we may seek a contribution from you to project management fees to manage the build. We will discuss that contribution with you before the building contract is signed.
9. We will not agree to the inclusion of building work that was not covered under your insurance policy which we believe carries a risk that is unacceptable to us; this includes repairing or rebuilding retaining walls. We may consider on a case-by-case basis cash settling part of the budget for your new house, to allow you to arrange for this type of work to be done.
10. If you wish to build a substantially larger and more costly home with design elements and requirements that are more complex than your previous home, we may not be prepared to be involved in the building project and may cash settle your claim as a self-managed build. We will discuss that with you as soon as this becomes apparent to Southern Response.
11. If you choose to Flexi-build with Southern Response and later decide that you wish to settle your claim in a different way (such as self-managed build or buying a house), you must reimburse all costs incurred for any design work and defining and preparing the specific details of the building work for the new house before we will investigate any other type of settlement option.