

BEFORE THE INDEPENDENT HEARINGS PANEL

UNDER the Resource Management Act 1991
IN THE MATTER of proposed Plan Change 14: Housing and Business
Choice to the Christchurch District Plan
AND
IN THE MATTER of Cambridge 137 Limited (Submitter 1092)

**STATEMENT OF EVIDENCE OF BRETT GERRARD ON BEHALF OF
CAMBRIDGE 137 LIMITED**

QUALIFYING MATTER: HERITAGE (HERITAGE SITES)

20 September 2023

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Introduction

- 1 My full name is Brett Edward Gerrard.
- 2 I am an Executive Broker at BMS Risk Solutions. I have held this role for 18 months. BMS Risk Solutions Limited is a new venture, of which I am a shareholder, and an Executive Broker looking after Corporate and Commercial clients with a focus on property and construction.
- 3 I hold a Bachelor of Commerce, ANZIIF Senior Associate, QPIB.
- 4 My relevant experience includes;
 - 28 years of insurance industry experience, including:
 - (a) 6 years working for- State Insurance as a Claims and Commercial Underwriter;
 - (b) 1 year working for - Circle in the Division of State Insurance as a Commercial Underwriter;
 - (c) 2 years working for Willis New Zealand Limited as a Corporate Broker; and
 - (d) 10 years working for Marsh Limited in the Commercial Broker Unit as a Contractor before taking on the role as Commercial Manager and acting Branch Manager at Marsh Limited Christchurch for 2 years:
 - (i) During my time at Marsh Limited in Christchurch we suffered the 2011 Earthquake which resulted in significant damage to the property portfolio I brokered and provided me the opportunity to either settle or assist in the settlement process of over 100 building claims in circumstances involving either total losses or significant repairs were required.
 - (e) 8 years working for Crombie Lockwood Limited as a Corporate Broker specialising in placement of Construction Companies, Global Business and Property Owners / Syndicators.

- 5 I am familiar with the site at 137 Cambridge Terrace (**Site**) as I was asked by Cambridge 137 Limited to obtain property insurance for the building, which was found to be unattainable from the New Zealand insurance providers due to the significant unrepaired earthquake damage. The only cover that was able to be obtained was Liability insurance.
- 6 I confirm that I have read and am familiar with the Code of Conduct for Expert Witnesses contained in the Environment Court Practice Note 2023. I have complied with the Code of Conduct in preparing this evidence and I agree to comply with it while giving any oral evidence during this hearing. Except where I state that I am relying on the evidence of another person, my evidence is within my area of expertise. I have not omitted to consider material facts known to me that might alter or detract from the opinions that I express.

Scope of Evidence

- 7 I have prepared this evidence on behalf of Cambridge 137 Limited (submitter number 1092) and have been engaged to provide insurance evidence in respect of the Harley Chambers building on the Site.
- 8 Specifically, my evidence addresses:
- (a) The insurance requirements for any future uses of the Harley Chambers building that requires the building to be restored to 67% of the New Building Standard (**NBS**).
- 9 In preparing my evidence, I have reviewed the submission by Cambridge 137 Limited in relation to Plan Change 13/14 to the Christchurch District Plan.

Executive summary

- 10 In my opinion, it is reasonable that a property owner would be expected to strengthen the Harley Chambers building to 67% NBS or higher.
- 11 There are a number of factors that drive property owners to strengthen buildings to 67% NBS or higher, including matters such as obtaining finance, obtaining insurance, and commercial leasing requirements which drive discussions regarding future tenancies.

- 12 If the current owners of the Harley Chambers building do not undertake the works necessary to strengthen the building to 67% NBS, or higher, they run the risk of:
- (a) Not being able to obtain finance to fund any future development on the Site;
 - (b) Significantly increased insurance premiums and excess / deductibles (or the prospect of not being able to obtain replacement cover at all); and
 - (c) Not being able to tenant the building due to its condition.
- 13 I address each of these risks further in my evidence below.

Insurance requirements for future uses of the building

- 14 We are seeing in the industry that Banks, insurers and tenants are all increasingly requesting details of the seismic strength of commercial buildings before offering finance, insurance or agreeing tenancies.
- 15 The legislation concerning Earthquake Prone Buildings requires buildings to be seismically strengthened to a minimum of 34% NBS, however prudent landlords are strengthening their buildings to at least 67% NBS.
- 16 The driver for this approach is primarily commercial with the following stakeholders and factors required to be considered:
- (a) To protect their investment, Banks will often require a minimum 67% NBS before offering finance or accepting any building asset as security for a loan.
 - (b) Insurers will impose more restrictive commercial terms for buildings with lower seismic strengthening by way of:
 - (i) Increased natural disaster excess (deductible) levels: These could vary from as low as 1.0% for a building seismically strengthened to 67% NBS to 10% for a building maintained at 34% NBS. The difference in retained (self-insured) risk for a \$10m building in this instance would be \$0.9m (\$1.0m - \$0.1m).
 - (ii) Increased natural disaster premiums: Premium rates could vary by as much as 50 – 60% for a stand- alone

strengthened building at 67% NBS compared a building strengthened at 34% NBS. In the example above, a natural disaster premium rate could be as low as 12 cents per \$100 of cover for a building strengthened to 67% NBS.

Correspondingly, an unstrengthened building at 34% NBS could potentially attract a rate as high as 50 cents per \$100 of cover. This translates to a premium variance of approximately \$38,000 per annum (\$12,000 - \$50,000)

- (iii) Future Insurability: As the insurance market retracts from providing cover for all risks, as recently highlighted from withdrawal of cover and / or imposing of excesses for property situated in flood prone areas, it is prudent for property owners to reinstate earthquake damaged or prone buildings to a NBS of no less than 67% to improve the probability that they will be able to purchase insurance cover in future years.
- (c) Increasingly tenants are expecting a seismic capacity of at least 67% NBS prior to leasing commercial office space. This is driven by Corporate Governance standards to ensure staff safety.
- (d) There are also general commercial factors for businesses and landlords to consider when assessing the merits of seismic strengthening to a building under 67% NBS.

Conclusions

- 17 In my opinion it is reasonable that a property owner would be expected to strengthen the Harley Chambers building to 67% NBS or higher.
- 18 There are a number of factors that drive property owners to strengthen buildings to 67% NBS or higher, including matters such as obtaining finance, obtaining insurance, and commercial lease requirements which drive discussions regarding future tenancies.
- 19 If the current owners of the Harley Chambers building do not undertake the works necessary to strengthen the building to 67% NBS, or higher, they run the risk of:
 - (a) Not being able to obtain finance to fund any future development on the Site;

- (b) Significantly increased insurance premiums and excess / deductibles (or the prospect of not being able to obtain replacement cover at all); and
- (c) Not being able to tenant the building due to its condition.

Brett Gerrard

20 September 2023