



19 December 2016

Jake Preston

Sent via FYI.org.nz: fyi-request-5017-5a3554bc@requests.fyi.org.nz

Southern Response Earthquake Services Ltd

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Dear Mr Preston

Request for information

I refer to your Official Information Act 1982 (OIA) request dated 25 November 2016 where you requested the following:

“What specific audit processes does Southern Response have in place to ensure that the experts hired by Southern Response, including project managers, and used by Southern Response to provide support and professional advice with regard to claims, are correctly billing for the number of hours actually worked by those experts and project managers on each claim? Are those costs verified and deducted from the insureds when Southern Response cash settles a claim?”

In response to your request, we comment as follows:

Project Management

Arrow's project management costs are reviewed and signed off by Southern Response finance staff, subject to an assessment of reasonableness for the type and complexity of a particular project. A benchmark or standard hours scheme is in place and performance against these benchmarks monitored quarterly. Southern Response's Internal Audit team undertakes weekly spot checks of the signed off invoices to ensure compliance.

Project management costs already incurred will not usually be included in the amount of a cash settlement offer. The offer will be reflective of the stage in the settlement process which had been reached (and therefore, the amount of project management incurred) before proceeding to cash settlement.

Expert Consultants

Expert consultants engaged by Southern Response or Arrow predominantly operate under term agreements which are entered into following a robust procurement and selection process. Consultants are then required to submit a fee proposal for each claim or project. The fee proposal is reviewed by an Arrow Project Manager and Quantity Surveyor who, based on their extensive experience, determine if the proposed fees are reasonable and within Southern Response's price range for the type and complexity of the claim. The Arrow Project Manager and Quantity Surveyor will either approve or reject the fee proposal.

At the time of preparing a cash settlement offer, all costs incurred on a claim are analysed by the Claim Specialist. Costs that were incurred in obtaining technical information which was reasonably required to progress the claim, are not usually included in the cash settlement offer.



You are welcome to contact the Ombudsman about this decision. To do so, you can visit their website - <http://www.ombudsman.parliament.nz/>.

Yours Sincerely



Kate Armstrong
Legal Risk Advisor

