



**MINUTES OF THE MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION**
Held at Level 11, Majestic Centre, 100 Willis Street, Wellington
Monday 26 February 2018 commencing at 10:00am

Present:

Mary-Jane Daly (Acting Chair)
Alison O'Connell
Gordon Smith
Paul Kiesanowski
Roger Bell
Tim Hurdle

In attendance:

Sid Miller, Chief Executive
Trish Keith, Chief Customer Officer
Jeremy Ford, General Counsel
Chris Chainey, Chief Financial Officer
Renee Walker, GM Govt Relations & Strategic Partners
Jayne Lapin, GM People, Culture and Change
Hugh Cowan, GM Resilience
Paul Jepson, GM Technology

Apologies:

9(2)(a)

(Aon Benfield)

9(2)(a) (EA to CE) – Minutes

The meeting was declared open at 10:00am

	AGENDA ITEMS & KEY DISCUSSION POINTS	ACTIONS REQUIRED	DUE DATE
Section 1	Board Governance		
	<i>Commissioners only (in committee) at 10:00am</i>		
	<i>Commissioners and CE only at 10:15am</i> 9(2)(a) joined the meeting at 10:37am		
1.1	Present and Apologies The Board: a) noted that no apologies were received; and b) noted the resignation of Sir Maarten Wevers on the 23 rd of February 2018 and recorded their thanks for his services to the EQC Board and his strong leadership over a difficult period.		
1.2	Interests Register/Declaration of Conflicts of Interest The Board: a) noted an update to the interests register for Tim Hurdle; b) confirmed there were no other conflicts of interest advised for matters on the agenda for the meeting.		

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<p>1.3</p>	<p>Matters Arising and Action Points</p> <p>The Board:</p> <p>a) noted all action points.</p>		
<p><i>Trish Keith joined the meeting at 10.38am</i></p>			
<p>1.4</p>	<p>Health and Safety Report</p> <p>The Board:</p> <p>a) noted the review of H&S key deliverables is in progress post the transfer of reporting line to Customer Care and Claims, which will be reported back to the next Health and Safety Board Committee;</p> <p>b) noted there have been no incidents of any significance reported in January 2018;</p> <p>c) noted the inclusion of, and reason for, incorrect EQC incident TRIFR figures for August 2017 and January 2018 and actions in progress. Refer to paragraphs 18 and 19; and</p> <p>d) noted the inclusion of EQR data in IHRP reporting effective from 1st April 2018. Refer paragraph 33.</p>		
<p>Section 2 Strategic Priorities</p>			
<p>2.1</p>	<p>CE Report</p> <p>The Board:</p> <p>a) noted the contents of the Report;</p> <p>b) noted that a further payment to LINZ has been made for the RRZ settlement;</p> <p>c) 9(2)(f) [REDACTED]</p> <p>d) 9(2)(j) [REDACTED]</p>	<ul style="list-style-type: none"> Management to ascertain if Board sign out is required for signing of the deed for S16. 	
<p><i>Jeremy Ford, Hugh Cowan, Renee Walker, Jayne Lapin, Chris Chainey and Paul Jepson joined the meeting at 10.54am.</i></p>			
<p>2.2</p>	<p>EQC Enterprise Change Programme Update</p> <p>The Board:</p> <p>a) endorsed the Strategic Execution Plan as outlined on Board Strategy Day 2, on 21 November 2017;</p> <p>b) approved the Enterprise Change Programme</p>		

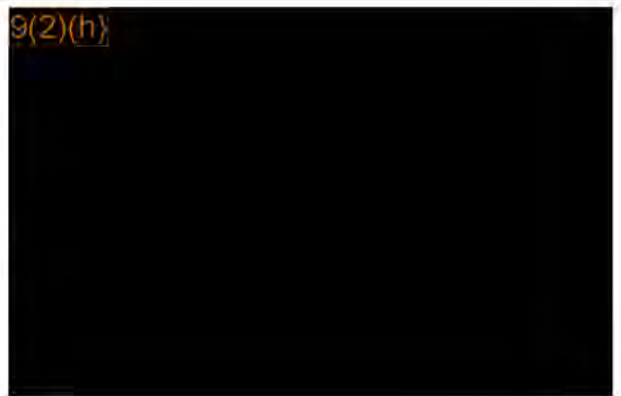
<p>being governed by the full Board;</p> <p>c) approved the inclusion of a standing board agenda item to update the Board on the Enterprise Change plan via a dashboard, as of the March 2018 Board meeting;</p> <p>d) noted that the BEFU paper to be presented to the Board in March 2018 will contain details regarding the initial funding expectations for the Programme; and</p> <p>e) noted EQC is required to produce a new Statement of Intent for the period covering 2018 – 2022. This will reflect the revised strategy and highlight that lessons have been learnt from Canterbury / Kaikoura and that greater organisational focus will be placed on event readiness / natural disaster resilience.</p>		
<p>2.3 Resolution of Outstanding Canterbury Claims</p> <p>The Board</p> <p>a) noted the options for faster resolution of outstanding claims arising from the 2010-2011 Canterbury earthquake sequence;</p> <p>b) noted Option1: Panel/Mediations being progressed;</p> <p>c) requested Management to report back to the Board by 9 March 2017 that the panel is set up and running;</p> <p>d) requested Management to report back to the Board on a monthly basis on progress and outcomes of Option 1 and increased DFA as per (t) below;</p> <p>e) noted Option 2: Negotiated settlements involving Insurers on a case by case (or portfolio) basis, [REDACTED]</p> <p>9(2)(j)</p> <p>f) requested Management to come back with further details prior to initiating this approach'</p> <p>g) noted Option 3: Removing the current requirement of getting the insurer to 'accept' the claim before paying cap;</p> <p>h) requested Management to implement Option 3 with immediate effect, ensuring that claimants are supported with appropriate external advice options;</p> <p>i) noted Option 4: Case managed claim model</p>	<ul style="list-style-type: none"> • Management to document a variety of case studies of customer settlements to illustrate the type of difficulties that can occur, the approximate numbers of each type and how the initiatives proposed may address these issues. • Management to report back by 9 March 2018 that the panel is set up and running. • Management to report back to the Board on a monthly basis on progress and outcomes of the increased DFA, Panel and Mediation. • Management to report back on further details on the approach to Negotiated Settlements. • Management to implement the proposals on cap payment with customer support as recommended in Option 3 with immediate effect. • Management to report back to the Board on the matter of moving to entirely cash settling any future requests for remedials. • 9(2)(h) 	

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	<p>and that this was being implemented;</p> <p>j) noted Management’s active consideration of entirely cash settling’</p> <p>k) requested Management to report back to the Board with further recommendations on the matter of moving to entirely cash settling any future requests for remedials;</p> <p>l) noted Option 5: Actively publish/educate prospective purchasers on how EQC and insurers deal with assigned claims that require remedial repairs/settlement;</p> <p>m) 9(2)(h)</p> <p>n)</p> <p>o)</p> <p>p)</p> <p>q)</p> <p>r)</p> <p>s) noted and reiterated the Board’s request for management’s focus and emphasis to be on claims that haven’t been resolved from the customer perspective as an absolute priority;</p> <p>t) approved an increase in the financial delegation for the Chief Customer Officer from \$30,000 to \$100,000 for the settlement of claim challenges pre-mediation, subject to approval from the newly established Panel as per Option 1.</p> <p>u) requested Management to prepare a Ministerial briefing post this Board meeting to advise on the Board’s consideration and decisions on these initiatives.</p>	<p>9(2)(h)</p> <ul style="list-style-type: none"> Management to prepare a Ministerial briefing post this Board meeting to advise on the Board’s consideration and decisions on these initiatives. 	
<p>2.4</p>	<p>Insurer Finalisation Strategic Framework</p> <p>The Board:</p> <p>a) noted that EQC is currently engaged with Insurers and the Insurance Council of New</p>		

	<p>Zealand (ICNZ) in negotiations on Insurer finalisation issues arising from the 2010-11 Canterbury earthquake sequence;</p> <p>b) noted that Management has developed the strategic framework set out in this Paper for the purpose of providing a pathway to achieve Insurer finalisation;</p> <p>c) agreed in principle, with the strategic framework as a basis for progressing the various negotiations with Insurers and ICNZ; and</p> <p>d) noted that Management will report monthly to the Board with progress against the strategic framework set out in this Paper and with any matters that require Board decisions or delegations.</p>		
<p>2.5</p>	<p>Insurer Discount</p> <p>The Board:</p> <p>a) 9(2)(i)</p> <p>b)</p> <p>c)</p> <p>d)</p> <p><i>Recommendations e) to j) are subject to legal privilege</i></p> <p>e) 9(2)(h)</p> <p>f)</p> <p>g)</p> <p>h)</p>	<ul style="list-style-type: none"> ▪ 9(2)(i) 	

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<ul style="list-style-type: none"> i) j) k) 	<p>9(2)(h)</p> 		
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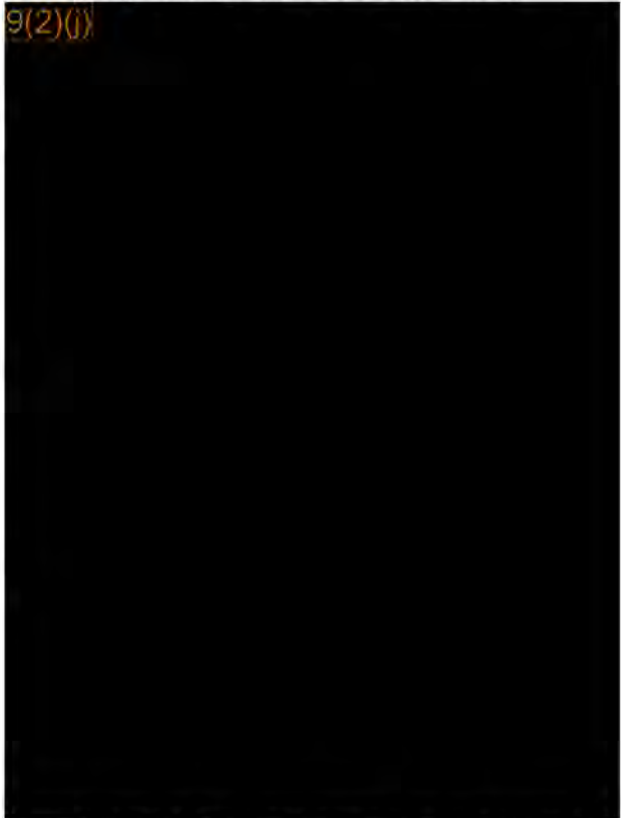
The meeting broke for lunch at 12.06pm and reconvened at 12.44pm

9(2)(a) from Aon Benfield and Hugh Cowan joined the meeting at 12.44pm.

2.6 Reinsurance Renewal

The Board:

- a) **noted** that in 2017/18 EQC succeeded in placing NZD4.834 billion of capacity for a reinsurance premium spend, inclusive of Reinstatement Premium Protection (RPP), of \$163.34 million;
- b) **noted** that the three layers and RPP of the core programme renew at 1 June 2018,

<ul style="list-style-type: none"> c) d) e) 	<p>9(2)(j)</p> 
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- f) **agreed** that placement options and potential terms be brought to the Board for

	consideration following the pre-renewal market consultations, before firm order terms are sought and agreements concluded.		
	9(2)(a) [REDACTED] from Aon Benfield left the meeting at 1.46pm		
Section 3 Financials and Risk			
3.1	<p>Reinsurance Broking Services Contract (moved up the agenda)</p> <p>The Board:</p> <p>a) noted that negotiations with Aon Benfield have produced an agreed performance framework aligning service level and value-added services to EQC's strategic objectives;</p> <p>b) 9(2)(i) [REDACTED]</p> <p>c) 9(2)(h) [REDACTED]</p> <p>d) authorised management to appoint Aon Benfield to provide EQC with Reinsurance Broking services over the contract term;</p> <p>e) noted the timeline for execution of the Agreement; and</p> <p>f) noted the timeline for debriefing unsuccessful RFP respondents.</p>		
	<i>Chris Chainey and Jeremy Ford joined the meeting at 1.47pm</i>		
3.2	<p>Financial Reporting</p> <p>The Board:</p> <p>a) noted the accompanying January 2018 financial pack and investment report;</p> <p>b) noted the following highlights on January's financial performance:</p> <p>a) Revenue is favourable (\$2.7m) in the month mainly due to higher premiums (\$1.8m) and Interest (\$0.8m).</p> <p>b) YTD revenue is favourable (\$14.1m) primarily due to unplanned interest income (\$8.4m) and higher premium income (\$4.9m).</p> <p>c) Core costs are favourable (\$0.3m) for the month, driven mainly by lower workforce expenses (impact of annual leave taken)</p>		

	<p>and YTD costs favourable (\$0.7m).</p> <p>d) Event costs unfavourable for month (\$1.9m) due to higher than planned costs in Canterbury (\$1.4m) and Kaikoura (\$0.5m). The Canterbury variance is driven by FTE reductions (215 FTE) budgeted to occur prior to Christmas. The Kaikoura variance is driven by timing of Insurer payments.</p> <p>e) Cash & Investments held at 31 January 2018 were \$451m.</p>		
3.3	<p>ILVR</p> <p>The Board:</p> <p>a) noted that the draft ILVR incorporates feedback from an earlier draft presented to the February 2018 Audit & Risk Committee (ARC) meeting;</p> <p>b) noted that there is an increase of \$39m on the estimated gross ultimate cost (excluding the impact of reinsurance) compared to the June 2017 valuation; there is a \$9m increase in the net ultimate cost for the Canterbury Earthquake Sequence once reinsurance is considered;</p> <p>c) 9(2)(h)</p> <p>d) noted that there is a \$66m increase in the estimated gross ultimate cost for the Kaikoura event compared to 30 June 2017, primarily relating to potential increased CHE and assessment payments to private insurers;</p> <p>e) 9(2)(h)</p> <p>f) noted that if accepted the draft ILVR would result in a financial expense of approximately \$215m on the December 2017 P&L. Of this \$110m relates to the risk margin and does not have a future cash impact;</p> <p>g) noted that Management is of the opinion the latest valuation represents a prudent analysis of liability, consistent with current policy settings and best available data, while recognising uncertainties and the need to provision for systemic risks;</p> <p>h) accepted the draft ILVR. This is ahead of the BEFU submission and the upcoming reinsurance consultations;</p> <p>i) noted that there has been no adjustment to flow based on actual experience since the 1st of July 2017 and we retain the assumptions we made as</p>	9(2)(h)	

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	at 30 June; and j) noted Management's intention to review the flow for the June 2018 ILVR.		
	<i>Hugh Cowan left the meeting at 2.10pm.</i>		
3.4	<p>Risk Update</p> <p>The Board:</p> <p>a) noted this paper provides a high level summary of the paper presented to the ARC on 12 February 2018, and reflects the nature of the discussions held; and</p> <p>b) noted that the full ELT participated in a positive discussion on risks, which was appreciated by ELT and the ARC, with a commitment to use this approach in the future.</p>		
3.5	<p>ARC Terms of Reference and Work Plan</p> <p>The Board:</p> <p>a) noted that Management have consulted with the Chair of the ARC on alterations to the ARC ToR and the 2018 work plan;</p> <p>b) noted that ARC approved the revised TOR and work plan at its meeting on 12 February 2018;</p> <p>c) noted that the changes to the TOR largely reflect structural changes in the organisation and the requirement to provide the ARC with additional visibility over key financial budget documents and accountability documents; and</p> <p>d) noted the revised ARC ToR and the 2018 work plan (attached).</p>		
Section 4 Performance			
4.1	<p>EQC Performance Dashboards</p> <p>The Board:</p> <p>a) noted this paper provides the Board with EQC's Performance Dashboards to 31 January 2018.</p>	<ul style="list-style-type: none"> Management to provide a the Board with details of the scope and approach to the review of the Kaikoura MoU. 	26.3.18
4.2	<p>Legal and Litigation Report</p> <p>The Board:</p> <p>a) 9(2)(h)</p> <p>b)</p>		

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	c) 9(2)(h)		
4.3	<p>Inquiry into EQC</p> <p>The Board:</p> <p>a) 9(2)(g)(i)</p> <p>b)</p> <p>c)</p> <p>d) agreed to the setting up of an independent team within EQC to manage the work required to assist with the inquiry.</p>	<ul style="list-style-type: none"> 9(2)(g)(i) 	2.3.18
Section 5 General Business			
5.1	<p>Confirmation of draft minutes for Board meeting held on Tuesday 30 January 2018</p> <p>The Board:</p> <p>a) confirmed the draft Minutes of the meeting held on Tuesday 30 January as a true and accurate record.</p>		
5.2	<p>Ratification of Evotes</p> <p>The Board:</p> <p>a) ratified the eight Evotes which were taken between 24 August 2017 and 1 February 2018;</p> <ul style="list-style-type: none"> i. Insurance Liability Valuation Report – 30 June 2017; ii. Half Year Economic and Forecast Update (HYEFU) iii. Updated Delegations Framework iv. Reinsurance Broking Sub-Committee Terms of Reference v. 2016-17 Earthquake Commission Annual Report vi. Updated Delegations Framework vii. Updated Financial Budgets and Forecasts viii. Lease Variation for 53 Princess Street, Christchurch 		
Closure of Meeting 3.05pm			
Review and Close of the Meeting			

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	<p>The next meeting is to be held on 26 March 2018 in Christchurch</p> <p>The Meeting closed at 3:05pm</p> <p>These minutes were approved by the Board as a true and correct record.</p> <p>_____</p> <p>Mary-Jane Daly Date</p>		
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