



**MINUTES OF THE MEETING OF  
THE BOARD OF THE EARTHQUAKE COMMISSION**  
Held at Voyager Building, 1 Barry Hogan Place, Christchurch  
Monday 26 March 2018 commencing at 9:30am

**Present:**

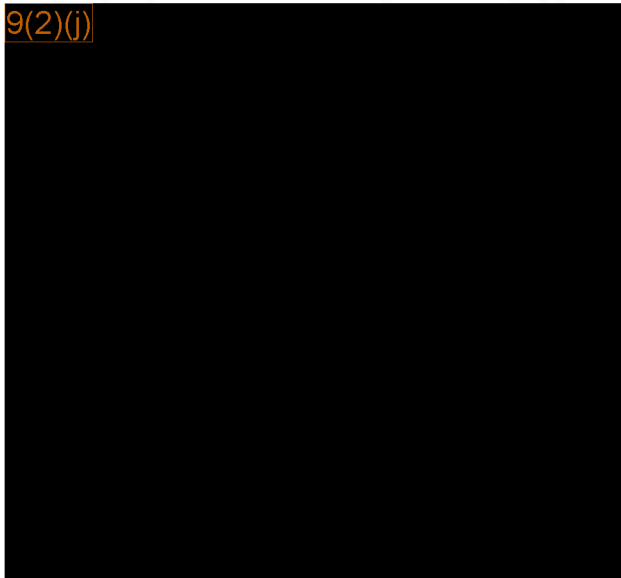
Dame Annette King (Chair)  
Mary-Jane Daly  
Alison O'Connell  
Gordon Smith  
Paul Kiesanowski  
Roger Bell  
Tim Hurdle

**Apologies:****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  
Heidi Barlow, GM Canterbury Business Unit  
9(2)(a) (by phone) & 9(2)(a)  
(Aon Benfield)  
Christine Stevenson, Minister's Independent Advisor  
9(2)(a) (EA to CE) - Minutes

The meeting was declared open at 9:00am

	AGENDA ITEMS & KEY DISCUSSION POINTS	ACTIONS REQUIRED	DUE DATE
<b>Section 1</b>	<b>Board Governance</b>		
	<i>Commissioners only (in committee) at 9:31am</i>		
	<i>Commissioners, CE and Christine Stevenson joined the meeting at 10.11am.</i>		
<b>1.3</b>	<b>Update from Independent Ministerial Review Team (moved up the Agenda)</b>  The Board: a) <b>noted</b> the verbal report by Christine Stevenson.		
	<i>Christine Stevenson left the meeting at 10.51am. Hugh Cowan, 9(2)(a) and 9(2)(a) joined the meeting at 10.52am. 9(2)(a) joined the meeting at 10.56am by phone.</i>		
<b>1.1</b>	<b>Present and Apologies</b>  The Board: a) <b>noted</b> that no apologies were received.		
<b>1.2</b>	<b>Interests Register/Declaration of Conflicts of</b>		

	<p><b>Interest</b></p> <p>The Board:</p> <p>a) <b>noted</b> the interests register; and</p> <p>b) <b>confirmed</b> there were no other conflicts of interest advised for matters on the agenda for the meeting.</p>		
<p><b>1.4</b></p>	<p><b>Reinsurance Renewal Update</b></p> <p>The Board:</p> <p>a) 9(2)(j)</p>  <p>b)</p> <p>c)</p> <p>d) <b>requested</b> management to socialise and seek feedback the recommendations from some Board members, following negotiations ahead of the 1 May 2018 Board meeting.</p>	<ul style="list-style-type: none"> <li>• Management to socialise and seek feedback from some Board members following market negotiations prior to the 1 May 2018 Board meeting.</li> </ul>	<p><b>April 18</b></p>
<p>9(2)(a) Hugh Cowan and 9(2)(a) left the meeting at 11.18am. The Board then had time with the CE.</p>			
<p>Jeremy Ford joined the meeting at 11.48am.</p>			
<p>Trish Keith, Heidi Barlow, Chris Chainey, Renee Walker, Jayne Lapin, Paul Jepson and 9(2)(a) joined the meeting at 11.59am.</p>			
<p><b>1.5</b></p>	<p><b>Health and Safety Report</b></p> <p>The Board:</p> <p>a) <b>noted</b> the information provided in the report including the details of each incident (where provided);</p> <p>b) <b>noted</b> there have been no incidents of any significance reported in February 2018;</p> <p>c) <b>noted</b> the correction of EQC incident TRIFR figures for late 2017 and early 2018. Refer to paragraphs 19 to 22; and</p>	<ul style="list-style-type: none"> <li>• Management to advise staff over the age of 65 that they are eligible for Shingles vaccine from 1 April 2018.</li> </ul>	

	d) <b>encouraged</b> Management to advise staff over the age of 65 that from 1 April 2018 they are eligible for a free shingles vaccination when reminding them about the flu vaccination provided by EQC.		
<b>Section 2</b>	<b>Strategic Priorities</b>		
<b>2.1</b>	<p><b>CE Report</b></p> <p>The Board:</p> <p>a) <b>noted</b> the contents of the Report;</p> <p>b) <b>agreed</b> in principle releasing the Board minutes and papers on the EQC` website once the appropriate redactions have been made; and</p> <p>c) 9(2)(g)(i)</p>		
<b>2.2</b>	<p><b>2018-22 Statement of Intent and 2018-19 Statement of Performance Expectations</b></p> <p>The Board:</p> <p>a) <b>noted</b> that to address audit points raised in the 2016-17 external audit, Management has been looking at possible enhancements in regards to developing the 2018-22 SOI and 2018-19 SoPE;</p> <p>b) <b>noted</b> that Management has been discussing potential enhancements with the external auditors EY;</p> <p>c) <b>requested</b> Management to reconsider the wording of the specific strategic outcomes into the SOI;</p> <p>d) <b>noted</b> that Management is considering whether it is necessary to retain both the current strategic objectives and the proposed strategic outcomes, with further advice to be provided to the Board as the development of the SOI progresses;</p> <p>e) <b>approved</b> the revision of output classes to:</p> <ol style="list-style-type: none"> <li>i. Research and Education (Resilience)</li> <li>ii. Claims Management (Response and Recovery)</li> <li>iii. Future Event Preparation (Readiness)</li> </ol> <p>f) <b>noted</b> the proposed timing delay in providing the SOI and SoPE to the Minister. This is required to adequately brief Treasury and to</p>	<ul style="list-style-type: none"> <li>• Management to reconsider the wording of the specific strategic outcomes into the SOI.</li> </ul>	

	allow them to brief the Minister.		
<b>2.3</b>	<p><b>Progress made on Resolution of Outstanding Canterbury Claims – Part 1</b></p> <p>The Board</p> <p>a) <b>noted</b> that Management has initiated:</p> <ul style="list-style-type: none"> <li>i. the Panel/Mediation Option (Option 1); and</li> <li>ii. the pilot for the Case Management Option (Option 4);</li> </ul> <p>b) <b>noted</b> that Management is considering the Negotiated Settlements Option (Option 2) as part of Insurer finalisation negotiations;</p> <p>c) <b>noted</b> that Management is removing the self-imposed restriction of getting the Insurer to “accept” the claim before paying cap (Option 3); and</p> <p>d) <b>noted</b> that Management is working to develop the Publicising/Educating Option (Option 5).</p> <p>e) <b>requested</b> Management to provide more detail around the proposed public communications for Option 5.</p>	<ul style="list-style-type: none"> <li>• Management to provide more detail around the proposed public communications for Option 5</li> </ul>	<b>1/5/18</b>
<p><i>The meeting broke for lunch from 12.58pm and resumed at 1.14pm.</i></p>			
<b>2.4</b>	<p><b>Progress made on Resolution of Outstanding Canterbury Claims – Part 2</b></p> <p>The Board:</p> <p>a) 9(2)(g)(i), 9(2)(h)</p> <p>b)</p> <p>c)</p> <p>d)</p>		

	<p>9(2)(g)(i)</p> <p>e)</p> <p>f)</p> <p>g)</p> <p>h)</p>		
<p>2.5</p>	<p><b>Canterbury Dashboard</b></p> <p>The Board:</p> <p>a) <b>noted</b> the contents of the Canterbury Dashboard; and</p> <p>b) <b>noted</b> that a data cleanse is currently underway to better understand the age of claims.</p>		
<p>2.6</p>	<p><b>TOR for Strategic Review of the Kaikoura Pilot / MoU</b></p> <p>The Board:</p> <p>a) <b>noted</b> two operational reviews of aspects of the Kaikoura pilot have been completed and a third is in final planning stages;</p> <p>b) <b>provided</b> feedback on the draft terms of reference;</p> <p>c) <b>did not agree</b> to the attached draft terms of reference for the strategic review of the Kaikoura pilot focussed on how the experience can inform’s future approaches to customer claims;</p> <p>d) 9(2)(j)</p> <p>e) <b>requested</b> that Management take this piece of work to tender for an external consultant(s) to ensure we get the right mix of skills;</p>	<ul style="list-style-type: none"> <li>• 9(2)(j)</li> <li>• Management to conduct a tender for external consultant(s) to ensure we get the right mix of skills required.</li> <li>• Management to report back on progress made on the programme of work and possible timelines.</li> </ul>	



	<p>f) <b>requested</b> Management to report back to Board on progress made on the programme of work and possible timelines;</p> <p>g) 9(2)(i) [REDACTED]</p> <p>h) <b>noted</b> that a previous Board decision was made to delay following up with customers that were cash settled in Canterbury on whether or not repairs had been completed on properties, until the expiry of the managed repair programme. The Board will need to make a decision in the future on when this matter will be resolved.</p>		
<b>Section 3</b>	<b>Financials and Risk</b>		
<b>3.1</b>	<p><b>Financial Reporting</b></p> <p>The Board:</p> <p>a) <b>noted</b> the accompanying February 2018 Financial pack &amp; Investment Report.;</p> <p>b) <b>noted</b> the February 2018 Financial pack reflects the December ILVR approved by the Board in February. This results in some changes to YTD numbers; and</p> <p>c) <b>noted</b> that the following comments on February's financial performance:</p> <ul style="list-style-type: none"> <li>i. Month revenue is favourable (\$3.4m) mainly due to higher premiums (\$2.5m) and Interest (\$0.7m).</li> <li>ii. YTD revenue is favourable (\$45.3m) primarily due to higher re-insurance recoveries (\$28.9m) mainly due to ILVR adjustment, unplanned interest income (\$9.1m) and higher premium income (\$7.4m).</li> <li>iii. Core costs are unfavourable (\$0.2m) for the month, driven mainly by higher workforce expenses and other operating costs and YTD costs favourable (\$0.5m).</li> <li>iv. Event costs unfavourable for month (\$3.4m) due to higher than planned costs in Canterbury (\$2.0m) and Kaikoura (\$1.4m). The Canterbury variance is largely driven by FTE reductions (215 FTE) that were budgeted to occur prior to Christmas. The Kaikoura variance is driven by timing of Insurer payments.</li> <li>v. Cash &amp; Investments held at 28 February 2018 were \$368m.</li> </ul>		

<b>3.2</b>	<b>BEFU approval</b> The Board: a) 9(2)(j) [REDACTED] b) <b>noted</b> that the \$55.8m increase in Canterbury CHE represents anticipated costs to June 2019 and that no budgetary approval is requested beyond this date due to the high number of uncertainties involved; c) 9(2)(j) [REDACTED] d) <b>noted</b> that at the February Board meeting the Board approved the establishment of a dedicated team to respond to the upcoming inquiry. Initial modelling indicates that the cost of this team may be approximately 9(2)(i) [REDACTED]. As Management firms up resourcing plans, Board will be provided updates on potential costs; e) <b>approved</b> an increase in the Canterbury CHE full life budget of \$55.8m; f) <b>approved</b> an initial placeholder budget of 9(2)(i) [REDACTED] to support the creation of a dedicated inquiry team; g) 9(2)(j) [REDACTED] h) 9(2)(j) [REDACTED] i) 9(2)(i) [REDACTED] j) <b>noted</b> that EQC is due to submit its final numbers as part of the 2018 BEFU exercise on 3 April 2018 and that this will include the latest accepted ILVR (Dec 17) and a view of “BAU” operating costs; k) <b>noted</b> that the 2019 and 2020 financial year numbers will be published as part of the		
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	<p>2018/19 Statement of Performance Expectations;</p> <p>l) <b>noted</b> that the forecast indicates that Section 16 will need to be triggered in January / February 2019; and</p> <p>m) <b>approved</b> the submission of the 2018 – 2022 numbers summarised in the attached presentation as EQC’s submission to the BEFU process.</p> <p>n) <b>noted</b> the Board their thanks to the Finance team in the presentation of this excellent paper.</p>		
<p><b>3.3</b></p>	<p><b>Section 16 Funding Deficiency Deed</b></p> <p>The Board:</p> <p>a) 9(2)(g)(i)</p> <p>b)</p> <p>c)</p> <p>d)</p> <p>e)</p> <p>f)</p>	<ul style="list-style-type: none"> <li>• 9(2)(j)</li> </ul>	<p><b>1.5.18</b></p>
<p><b>3.4</b></p>	<p><b>Delegations – Approval of payroll related expenses</b></p> <p>The Board:</p> <p>a) <b>approved</b> the addition of the Finance Systems Manager to the delegation relating to the approval of the payment of payroll related expenses.</p>		



<p><b>Section 4</b></p>	<p><b>Performance</b></p>		
<p><b>4.1</b></p>	<p><b>EQC Performance Dashboards</b></p> <p>The Board:</p> <p>a) <b>noted</b> this paper provides the Board with EQC’s Performance Dashboards to 28 February 2018;</p> <p>b) <b>noted</b> this paper does not include Canterbury performance information (as this will be discussed separately); and</p> <p>c) <b>noted</b> the Kaikoura information has been increased to include re-opened claims and insurer customer satisfaction information.</p>		
<p><b>4.2</b></p>	<p><b>Legal and Litigation Report</b></p> <p>The Board:</p> <p>a) 9(2)(g)(i)</p> <p>b) 9(2)(j)</p> <p>c)</p> <p>d)</p> <p>e) <b>noted</b> the 11 day High Court <i>Bligh</i> hearing concluded on 6 March and a judgment is expected within the next 3 months, with media interest likely;</p> <p>f) 9(2)(j)</p> <p>g) <b>noted</b> the State Sector and Crown Entities Reform Bill has passed its first reading, and a summary is included of the implications for EQC and the Board;</p> <p>h) 9(2)(j)</p>	<ul style="list-style-type: none"> <li>• 9(2)(g)(i)</li> </ul> <ul style="list-style-type: none"> <li>• 9(2)(j)</li> </ul>	<p><b>1.5.18</b></p> <p><b>1.5.18</b></p>

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	<p>9(2)(j)</p> <p>i) <b>noted</b> Treasury and the Parliamentary Counsel Office have prepared the Earthquake Commission Amendment Bill 2018 (the Amendment Bill) on the instructions of the Minister;</p> <p>j) 9(2)(j)</p> <p>k)</p> <p>l)</p> <p>m)</p> <p>n) 9(2)(h)</p>		
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**Section 5 General Business**

<p><b>5.1</b></p>	<p><b>Matters Arising and Action Points</b></p> <p>The Board:</p> <p>a) <b>noted</b> all action points; and</p> <p>b) <b>requested</b> a change to action point #510 so that it includes a communication strategy as part of this work.</p>	<ul style="list-style-type: none"> <li>• Management to provide an interim communication strategy as part of action point #510.</li> </ul>	<p><b>1.5.18</b></p>
<p><b>5.2</b></p>	<p><b>Confirmation of draft minutes for Board meeting held on Tuesday 26 February 2018</b></p> <p>The Board:</p> <p>a) <b>confirmed</b> the draft Minutes of the meeting held on Tuesday 26 February 2018 as a true and accurate record;</p>	<ul style="list-style-type: none"> <li>• Management to release the minutes from 26 February 2018 to the EQC website once the appropriate redactions have been made.</li> </ul>	<p><b>1.5.18</b></p>

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	<p>b) <b>requested</b> Management to release these minutes to the EQC website once the appropriate redactions have been made.</p>		
5.2	<p><b>Confirmation of draft minutes for Board meeting held on Thursday 8 March 2018</b></p> <p>The Board:</p> <p>a) <b>requested</b> changes to the draft Minutes of the meeting held on Thursday 8 March 2018 after which these would be regarded as a true and accurate record.</p> <p>b) <b>requested</b> Management to release the minutes of 8 March 2018 to the EQC website once the appropriate redactions have been made.</p>	<ul style="list-style-type: none"> <li>Management to release the minutes of 8 March 2018 to the EQC website once the appropriate redactions have been made.</li> </ul>	1.5.18
6.	<b>Correspondence of Interest</b>		
6.1	<p><b>Correspondence of Interest</b></p> <p>The Board:</p> <p>a) <b>noted</b> the correspondence</p> <ol style="list-style-type: none"> <li>i. Letter from Minister Woods – Annual Letter of Expectations, 6 March 2018</li> <li>ii. 9(2)(g)(i) [REDACTED]</li> <li>iii. Letter to SSC - Inquiry into Southern Response use of security contractors, 12 March 2018;</li> <li>iv. Letter from SSC – Inquiry into Southern Response use of security contractors, 14 March 2018;</li> <li>v. 9(2)(i) [REDACTED]</li> <li>vi. 9(2)(i) [REDACTED]</li> <li>vii. 9(2)(i) [REDACTED]</li> <li>viii. 9(2)(i) [REDACTED]</li> </ol> <p>b) <b>requested</b> Management to draft a response to the Minister’s letter of Annual Letter of Expectations; and</p> <p>c) 9(2)(h) [REDACTED]</p>	<ul style="list-style-type: none"> <li>Management to draft a response to the Minister’s letter of Annual Letter of Expectations.</li> <li>9(2)(h) [REDACTED]</li> </ul>	<p>1.5.18</p> <p>1.5.18</p>
	The next meeting is to be held on 1 May 2018 in		

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	<p><b>Wellington</b></p> <p>The Meeting closed at 2.56pm.</p> <p>These minutes were approved by the Board as a true and correct record.</p>  <p>_____</p> <p><b>Dame Annette King</b>      <b>Date</b></p>		
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