

**MINUTES OF THE MEETING OF  
THE BOARD OF THE EARTHQUAKE COMMISSION  
Held in the Wairarapa Room, Majestic Centre, 100 Willis Street, Wellington  
Monday 25 February 2019**

**Present:**

Sir Michael Cullen (Chair)  
Mary-Jane Daly  
Alison O’Connell  
Paul Kiesanowski  
Tim Hurdle  
Erica Seville  
Toni Ferrier

**In attendance:**

Sid Miller, Chief Executive  
Chris Chainey, Chief Financial Officer  
Renee Walker, Deputy Chief Executive – Canterbury and  
External Affairs  
Jayne Lapin, General Manager - People, Culture and Change  
Hugh Cowan, Director Resilience Research  
Paul Jepson, Deputy Chief Executive - Operations  
Jeremy Ford, General Counsel

**Apologies:**

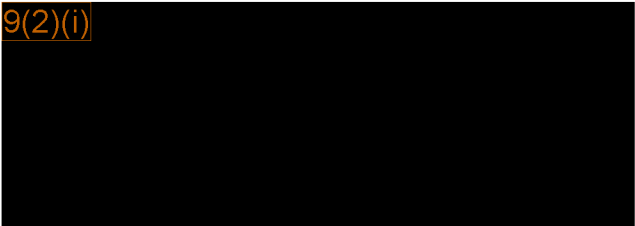

N/A

9(2)(a) (PwC)  
9(2)(a) (Legal Advisory Panel)  
9(2)(a)  
9(2)(a) (Aon Benfield)  
9(2)(a) Treasury  
9(2)(a) - Executive Assistant to the Chief Executive  
(Minutes)

*The meeting was declared open at 10:05am*

	AGENDA ITEMS & KEY DISCUSSION POINTS	ACTIONS REQUIRED	DUE DATE
<b>Section 1</b>	<b>Board Governance</b>		
	<i>Commissioners only (in committee) at 9:30am</i>		
	<i>Commissioners and Chief Executive only at 9:50am</i>		
	<i>Jayne Lapin and 9(2)(a) (EQC), and 9(2)(a) (Treasury) joined the meeting at 10:05am</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 Interest</b>  The Board: a) <b>noted</b> the updated interests register; and b) <b>confirmed</b> there were no other conflicts of interest advised for matters on the agenda for the meeting.		

<b>1.3</b>	<b>Health, Safety and Wellbeing Report</b> The Board: a) <b>noted</b> there were 29 events reported in December, and 21 reported in January, none of a critical nature; b) <b>noted</b> there were no Medical Treatment Injuries (MTI) in EQC; c) <b>noted</b> the ongoing progress of mental health and well-being initiatives; d) <b>noted</b> the proposed outline of Board on site visit opportunities for 2019 (Appendix 1); and e) <b>noted</b> that the Board will receive updates on the progress of the management actions via the monthly Health, Safety and Wellbeing report.	<ul style="list-style-type: none"> <li>• Management to consider how the health, wellbeing and safety function would scale up should another event occur.</li> <li>• Management to investigate the necessity and appropriateness of Board members completing the on-line safety e-learning module.</li> <li>• Management to programme a more in-depth health and safety session for Board members annually.</li> </ul>	
<i>Jayne Lapin left the meeting at 10.15am.</i>			
<b>Section 2</b>	<b>Strategic Priorities</b>		
<i>9(2)(a) (PwC) and 9(2)(a) (Legal Advisory Panel) joined the meeting at 11:05am.</i>			
<b>2.1</b>	<b>EQC Legal Operating Review</b> The Board: a) <b>endorsed</b> the approach for the Future Legal Operating Model for the legal function; b) <b>endorsed</b> immediate implementation of the ten identified actions to support the settlement of the Canterbury disputes; c) <b>endorsed</b> the need for additional action to shift the business culture to one of customer centred dispute resolution; d) <b>endorsed</b> the high-level roadmap for the implementation of the recommendations contained in the report; and e) <b>noted</b> the risks and accompanying mitigations to the Future Legal Operating Model.		
<i>9(2)(a) (PwC) and 9(2)(a) (Legal Advisory Panel) left the meeting at 11:21am.</i>			
<i>9(2)(a) (Aon Benfield), and Chris Chainey and Hugh Cowan (EQC) joined the meeting at 11:25am.</i>			
<b>2.2</b>	<b>EQC Reinsurance Strategy and 2019/20 Renewal Options</b> The Board:		

- a) **noted** that Management have developed a Reinsurance Strategy in conjunction with our brokers Aon and the Reinsurance and Resilience Committee;
- b) **noted** that the Reinsurance and Resilience Committee recommend that the Board approve the proposed Reinsurance Strategy;
- c) **approved** the proposed Reinsurance Strategy that accompanies this paper;
- d) **noted** the accompanying paper from Aon Benfield advising options potentially available to the Commission in regards to the 2019/20 reinsurance renewal;
- e) **noted** the expected increase in reinsurance pricing arising from the proposed changes to the EQC Act is smaller than was anticipated from earlier conversations. This reflects the offsetting effects of frequency versus severity of modelled losses associated with the changing portfolio exposure;
- f) 9(2)(i)  

- g) **noted** that Management and Dr Alison O'Connell met with the Treasury to discuss how the reinsurance programme can best support the New Zealand's overall balance sheet risk;
- h) 9(2)(i)  

- i) **approved** seeking pricing for the re-introduction of multi-year subscription placement for 9(2)(i)  
9(2)(i) of the core programme (subject to reinsurer appetite), and explore complementary options for longer-term commitment of capacity; and
- j) **approved** further to (h) and (i), that Management and Aon further test market appetite(s) in regards to the Additional Coverage Options set out within the accompanying paper, remaining cognisant of the overall reinsurance budget.

	<p><b>9(2)(a)</b> [REDACTED] (Aon Benfield), Hugh Cowan and Chris Chainey (EQC) left the meeting at 11:43am.</p>		
<p><b>2.3</b></p>	<p><b>Chief Executive’s Report (moved up the Agenda)</b> The Board: a) <b>noted</b> the updates provided on:</p> <ul style="list-style-type: none"> <li>i. Insurer Finalisation update</li> <li>ii. Dispute Resolution update</li> <li>iii. Ombudsman OIA reviews</li> <li>iv. Geotechnical services procurement update</li> <li>v. Greater Christchurch Claims Resolution Service</li> <li>vi. EQC Amendment Act</li> <li>vii. Cabinet Paper on future natural disaster event readiness</li> <li>viii. Update on EQC Resilience Strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Management to review the approach to the Geotechnical services procurement to ensure there is competition across the Panel of providers.</li> </ul>	
<p><i>Chris Chainey, Renee Walker and Benesia Smith (EQC) joined the meeting at 11:45am</i></p>			
<p><b>2.4</b></p>	<p><b>Strategic Priorities for 2019</b> The Board;</p> <ul style="list-style-type: none"> <li>a) <b>noted</b> the priority focus areas;</li> <li>b) <b>agreed</b> that these five areas will drive the focus of the organisation over the short to medium term;</li> <li>c) <b>noted</b> that there may be some reprioritisation of other initiatives to focus efforts on these priorities; and</li> <li>d) <b>noted</b> that regular detailed updates on each area will be provided to Board.</li> </ul>		
<p><i>The meeting broke for lunch at 12.00pm. The meeting resumed at 12.30pm and Renee Walker and Benesia Smith (EQC) joined the meeting.</i></p>			
<p><b>2.5</b></p>	<p><b>Reputation and Stakeholder Management</b> The Board:</p> <ul style="list-style-type: none"> <li>a) <b>noted</b> the findings and recommendations of the AC Nielsen Market Research</li> <li>b) <b>noted</b> the benchmark findings and recommendations of the Reputation Research Report;</li> <li>c) <b>noted</b> the progress of the Claimant Reference Group;</li> <li>d) <b>noted</b> the internal audit of the External Affairs function; and</li> <li>e) <b>noted</b> the positive impact of a revised</li> </ul>	<ul style="list-style-type: none"> <li>• Management to incorporate the feedback from the Board and to report back in three months on the progress that is being made with the initiatives to improve EQC’s reputation.</li> </ul>	

	communications approach.		
<b>2.6</b>	<p><b>Public Inquiry Update</b></p> <p>The Board:</p> <ul style="list-style-type: none"> <li>a) <b>noted</b> the update on the recent meeting with the Public Inquiry Chair, Dame Silvia Cartwright, and her team;</li> <li>b) <b>noted</b> the progress made on developing our narrative for the Inquiry; and</li> <li>c) <b>endorsed</b> the approach for commissioning work on Key Focus Areas proposed.</li> <li>d) <b>noted</b> that the Dame Silva Cartwright has requested the opportunity to hold a staff forum.</li> </ul>		
<p><i>Benesia Smith (EQC) left the meeting at 1.13pm</i> <i>Chris Chainey, Jayne Lapin, Paul Jepson (EQC) joined the meeting at 1.32pm</i></p>			
<b>Section 3</b>	<b>Performance</b>		
<b>3.1</b>	<p><b>EQC Performance Dashboards</b></p> <p>The Board:</p> <ul style="list-style-type: none"> <li>a) <b>noted</b> that this paper accompanies the EQC's Executive Dashboard to 31 January 2019 and provides qualitative commentary on performance to supplement the quantitative information shown in the dashboard; and</li> <li>b) <b>noted</b> that the EQC's Executive Dashboard to 31 January 2019 (excluding Enterprise Change Portfolio, and Kaikōura sections, as well as taking out the near misses information in the Privacy Breaches section) will be published on EQC's external website by 1 March 2019.</li> </ul>	<ul style="list-style-type: none"> <li>• Management to provide a paper at the next Board which provides a breakdown of the categories by type for all Canterbury claims that are left, their age and projections of when settlement will occur.</li> </ul>	
<p><i>Jayne Lapin and Paul Jepson left the meeting and Jeremy Ford (EQC) joined 1.48pm</i></p>			
<b>3.2</b>	<p><b>Legal Issues Update</b></p> <p>The Board:</p> <ul style="list-style-type: none"> <li>a) <b>noted</b> that Management are seeking greater certainty for customers who have purchased properties which have subsequently gone 'overcap', through a test case (in August 2019) and arranging further legal reviews on key legal issues;</li> <li>b) <b>noted</b> that Management are engaging with Insurers on progressing the insurer claims against EQC, including the ILV litigation and a</li> </ul>		

	<p>request from ICNZ for a Declaratory Judgment about EQC’s potential “election” liability;</p> <p>c) 9(2)(h) [REDACTED]</p> <p>d) 9(2)(i) [REDACTED]</p> <p>e) <b>noted</b> the update on the outcome of the Fitzgerald “rubble foundation” High Court test case.</p>		
<i>Jeremy Ford left the meeting at 2.03pm.</i>			
<b>Section 4</b>	<b>Financial and Risk</b>		
<p><b>4.1</b></p>	<p><b>December 2018 ILVR</b></p> <p>The Board:</p> <p>a) <b>noted</b> that MJW have been working with EQC Executive and Management to better model the potential financial impact of Insurer Finalisation for the December 2018 ILVR. This is expected to be the only material change within the December 2018 ILVR;</p> <p>b) <b>noted</b> the accompanying letter from MJW to S Miller (Chief Executive) which provides detail on the modelling undertaken in respect to Insurer Finalisation;</p> <p>c) <b>noted</b> that this letter was discussed at the Audit and Risk Committee (ARC) meeting on 19 February 2019;</p> <p>d) 9(2)(i) [REDACTED]</p> <p>e) <b>noted</b> the revised timing for the finalisation of the December 2018 ILVR.</p>		
<p><b>4.2</b></p>	<p><b>Financial Reporting – January 2019</b></p> <p>The Board:</p> <p>a) <b>noted</b> the accompanying January 2019</p>		

	<p>Financial pack;</p> <p>b) <b>noted</b> the financial pack provides a summarised view of the month's financial results, with a more detailed financial pack also available in the Resource Centre;</p> <p>c) <b>noted</b> the following comments on January's financial performance:</p> <ul style="list-style-type: none"> <li>i. Month revenue above budget (\$0.4m).</li> <li>ii. Core costs below budget (\$0.8m) for the month. This is mainly driven by lower workforce expenses (\$1.2m) partly offset by higher consultancy spend (\$0.4m).</li> <li>iii. Event costs below budget for month (\$1.3m), mainly due to lower workforce expenses in Canterbury (\$0.6m) and reduction to the accrual held for private insurer costs in Kaikoura (\$0.7m).</li> <li>iv. Cash held at 31 January was \$104m (which includes the \$50m of funds received from the Crown).</li> </ul> <p>d) <b>noted</b> that Management are currently preparing the organisation's Budget and Economic Forecast Update, which will be based upon the revised strategic priorities. This will be presented to the Board in March for approval (following feedback from the Audit and Risk Committee (ARC)).</p>		
	<i>Renee Walker (EQC) left the meeting at 2.15pm</i>		
<p><b>4.3</b></p>	<p><b>EQ Direct Cover</b></p> <p>The Board:</p> <p>a) <b>noted</b> that section 22 of the EQC Act provides the Commission discretionary power to provide, on application, voluntary insurance against natural disaster damage;</p> <p>b) <b>noted</b> that such cover may be provided upon or subject to such conditions as the Commission thinks fit; and</p> <p>c) <b>approved</b> the amendment of the Direct EQCover Policy to include a 30 day hold period with the change that the decision to exercise this option sits with the Chief Executive Officer, rather than the Executive Leadership Team.</p>		

#### 4.4 Delegations Framework

The Board

- a) **noted** that the Manager Payments, Chief Technology Officer, Manager Business Services, Specialist Programme Advisor and Manager Business Enablement have been removed from the bank mandate as they have left the organisation;
- b) **noted** that where the Framework states Manager Strategic Sourcing, this has been updated in line with the recent restructure of the Chief Financial Officer Group Business unit to Manager Procurement;
- c) **approved** the authority to authorise PAYE payments to the IRD is extended through to the Manager Financial Control (Tier 3 Manager, 9(2)(a) [REDACTED]);
- d) **approved** the change in wording for the Corporate Governance delegation with regards to approving corporate policies from 'on recommendation from the audit and risk committee' to 'on recommendation from the appropriate board sub-committee';
- e) **approved** an update to delegations to require Board approval to reassign the Chief Executive Officer's claims delegation in the event they are absent from work for more than three business days without having assigned their delegation;
- f) **approved** an update to delegations to require Chief Executive Officer approval to reassign the Deputy Chief Executive Operations and/or Deputy Chief Executive, Canterbury and External Affairs claims delegations in the event these Executive Leadership Team members are absent from work for more than three business days without having assigned their delegation;
- g) **approved** the removal of the wording for the General Operating Expenditure delegation 'The limit applies to the total value of the commitment, regardless of the payment period';
- h) **approved** the increase of all Executive Leadership Team members (other than the Chief Financial Officer who already has a delegation of \$2,000,000) Contract



	<p>Expenditure delegation from \$75,000 to \$250,000; and</p> <p>i) <b>approved</b> the increase of the Deputy Chief Executive Operations and the Deputy Chief Executive, Canterbury and External Affairs Contract Expenditure delegations to \$750,000.</p>		
	<i>Chris Chainey (EQC) left the meeting at 2.27pm</i>		
<b>Section 5 Board Committee Updates</b>			
<b>5.1</b>	<p><b>Audit and Risk Committee Meeting Update</b></p> <p>The Board:</p> <p>a) <b>noted</b> the minutes of the Audit and Risk Committee Meeting held on 26 November 2018; and</p> <p>b) <b>noted</b> the verbal update from Mary-Jane Daly, Chair of the Audit and Risk Committee.</p>		
<b>5.2</b>	<p><b>People and Culture Board Committee Meeting Update</b></p> <p>The Board</p> <p>a) <b>noted</b> the minutes of the People, Performance and Remuneration Committee Meeting 29 October 2018;</p> <p>b) <b>noted</b> that the name of this committee has changed from People, Performance and Remuneration Committee to People and Culture Committee; and</p> <p>c) <b>noted</b> the verbal update from Toni Ferrier, Chair of the People and Culture Board Committee.</p>		
<b>Section 6 General Business</b>			
<b>6.1</b>	<p><b>Matters Arising and Action Points</b></p> <p>The Board;</p> <p>a) <b>noted</b> the updates to the Action Points.</p>	<ul style="list-style-type: none"> <li>• Management to provide a more granular analysis of claims reopened in February 2019 to provide an understanding on the reasons why these claims were reopened and what this means for customers.</li> </ul>	
<b>6.2</b>	<p><b>Confirmation of Board Minutes</b></p> <p>The Board;</p>		

	<p>a) <b>confirmed</b> the draft minutes of the Board meeting held on 26 November 2018 as a true and accurate record.</p>		
<b>6.3</b>	<p><b>Proactive Release of Redacted Board Minutes</b></p> <p>The Board:</p> <p>a) <b>noted</b> that at its meeting in November 2018, the Board indicated a desire to release as much information as possible as part of the proactive release of Board Minutes;</p> <p>b) <b>approved</b> the public release of the redacted Minutes for its meetings on 23 October and 29 October 2018;</p> <p>c) <b>noted</b> that since June 2018 when the Board Minutes began being published on the EQC website there have been 363 page views, with 157 from external sources;</p> <p>d) <b>noted</b> that since May 2018 when Minutes were first proactively released, EQC has received no specific requests for Board Minutes under the Official Information Act; and</p> <p>e) <b>noted</b> that Management monitors the traffic on the EQC web page in relation to Board Minutes and will continue to provide regular updates to the Board on this.</p>		
<b>Section 7 Correspondence of Interest</b>			
<b>7.1</b>	<p><b>EQC to Treasury re Second EQC Deficiency Deed Payment Notice</b></p> <p>The Board:</p> <p>a) <b>noted</b> the EQC invoice to Treasury for the second EQC Deficiency Deed Payment Notice.</p>		
	<i>The meeting closed at 2:47pm.</i>		
	<p>The next meeting is to be held on 25 March 2019 in Wellington</p> <p>The Meeting closed at 2:47pm. These minutes were approved by the Board as a true and correct record.</p> <p>_____</p> <p>Sir Michael Cullen      Date</p>		

	<b>Board Chair</b>		
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