

**MINUTES OF THE MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION**
Held in the Wairarapa Room, Majestic Centre, 100 Willis Street, Wellington
Monday 25 March 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) Principal Advisor
9(2)(a) Actuary
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
Section 1	Board Governance		
	<i>Commissioners only (in committee) at 9:35am</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 10:30am</i>		
1.1	Present and Apologies The Board: a) noted that no apologies were received, but that Alison O’Connell attended by video conference from Christchurch.		
1.2	Interests Register/Declaration of Conflicts of Interest The Board: a) noted the updated interests register; b) noted that Erica Seville advised of a prospective future interest through Resilient Organisations, which is in the early stages of		

	<p>development and may not eventuate, with AON New Zealand;</p> <p>c) noted that the entries for Erica Serville for both Resilient Organisations Ltd and Risk Strategies Research and Consulting Limited should be as Director / Shareholder rather than as Director.</p>		
1.3	<p>Health, Safety and Wellbeing Report</p> <p>The Board:</p> <p>a) noted there were 33 events reported in February, none of a critical nature;</p> <p>b) noted there were no Medical Treatment Injuries (MTI) in EQC;</p> <p>c) noted the ongoing progress of mental health and well-being initiatives;</p> <p>d) noted that the Board will continue to receive updates on the progress of the management actions via the monthly Health, Safety and Wellbeing report; and</p> <p>e) noted the verbal from the CEO on the shooting incident in Christchurch and that a full report would be provided to the April Board covering the incident and all actions taken and implemented.</p>	<ul style="list-style-type: none"> • Management to provide a report covering the shooting incident in Christchurch and all the actions taken and implemented. 	
	<p><i>Jayne Lapin (EQC) left the meeting at 10:35am</i></p> <p><i>Paul Jepson, Renee Walker, Chris Chainey, Jeremy Ford and 9(2)(a) (EQC) joined the meeting at 10:36am</i></p>		
Section 2	Strategic Priorities		
2.1	<p>Chief Executive's Report</p> <p>The Board:</p> <p>a) noted the updates provided on:</p> <ol style="list-style-type: none"> 1. Legal Issues update 2. Dispute resolution 3. Profile of Re-opened Claims 4. LINZ Red Zone Settlement 5. Review of the EQC Act 6. EQC Scenario Testing 7. Business Continuity Planning (BCP) 8. Disaster Recovery Capability 9. IT Managed Services (ITMS) Outsourced 10. Development of Strategic Risks 11. Third Party Claim Administration Service Providers 		

	12. Loss Modelling Update		
	<p><i>Jeremy Ford and 9(2)(a) (EQC) left the meeting at 10:48am. Benesia Smith (EQC) joined the meeting at 10:48am.</i></p>		
2.2	<p>Public Inquiry Update (10:48am)</p> <p>The Board:</p> <p>a) noted the update on the recent meetings with the Public Inquiry Chair, Dame Silvia Cartwright, and her team; and</p> <p>b) noted that papers that have been provided to the Public Inquiry will be made available in the Diligent Resource Centre.</p>	<ul style="list-style-type: none"> Management to load the documents provided to the Public Inquiry Papers up in the Resource Centre later this week. 	
2.3	<p>Transformation Programme (10:55am)</p> <p>The Board:</p> <p>a) endorsed the high level approach and structure of the Transformation Programme;</p> <p>b) endorsed the high level deliverables and outcomes to be delivered by the Programme by June 2020; and</p> <p>c) noted that regular reporting on progress against timelines will be provided to the Board</p>	<ul style="list-style-type: none"> Management to provide an update on EQC’s technology maturity and more detail on the proposed changes and how they integrate with the changes to the transformation of the claims operating model. Management to circulate the documentation that is being provided to Insurers around the Agency Model. 	<p>April 19</p> <p>March 19</p>
2.4	<p>Transformation the EQC Claims Operating Model</p> <p>The Board;</p> <p>a) noted the Lessons learned;</p> <p>b) noted the Case for Change;</p> <p>c) noted the Progress on Claims Integration and Optimisation to date;</p> <p>d) noted progress on the Agency Model; and</p> <p>e) noted that the April report back to Board on progress will provide more detail and key actions.</p>		
2.5	<p>Transforming EQC’s Enabling Functions</p> <p>The Board:</p> <p>a) noted the lessons learned;</p> <p>b) noted the case for change;</p> <p>c) noted current thinking on the Agency Model; and</p> <p>d) noted progress on optimising and transforming enabling functions to date.</p> <p>f) noted that the April report back to Board on</p>		

	progress will provide more detail and key actions.		
Section 3	Performance		
3.1	<p>EQC Performance Dashboards</p> <p>The Board:</p> <p>a) noted that this paper accompanies the EQC’s Executive Dashboard to 28 February 2019 and provides qualitative commentary on performance to supplement the quantitative information shown in the dashboard; and</p> <p>b) noted that the EQC’s Executive Dashboard to 28 February 2019 (excluding ECP 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 29 March 2019.</p>		
	<p><i>The meeting broke for lunch 12.07pm, and resumed at 12:46pm when 9(2)(a) (EQC) joined the meeting.</i></p>		
Section 4	Financial and Risk		
4.1	<p>Acceptance of December 2018 ILVR</p> <p>The Board:</p> <p>a) noted that the draft ILVR has been endorsed by the Audit and Risk Committee;</p> <p>b) provided feedback on the covering note;</p> <p>c) noted the accompanying covering note that will be provided to reinsurers with the release of the ILVR, taking into account the feedback provided; and</p> <p>d) accepted the draft December 2018 ILVR.</p>		
	<p><i>9(2)(a) (EQC) left the meeting at 1.01pm. Paul Jepson (EQC) joined the meeting at 1.03pm. Benesia Smith (EQC) joined the meeting at 1.08pm</i></p>		
4.2	<p>Budget and Economic Forecast Update</p> <p>The Board:</p> <p>a) noted the presentation accompanying the paper, provided further details on the budgets for Canterbury claims handling expenses (CHE), the ongoing “BAU” business and Public Inquiry;</p> <p>b) approved a Canterbury CHE life to June 2020</p>		

	<p>budget of 9(2)(i)</p> <p>c) noted that it is expected that there will be Canterbury CHE beyond June 2020, however, there is considerable uncertainty as to the amount required;</p> <p>d) noted that EQC is due to submit its final numbers as part of the 2019 BEFU exercise on 8 April 2019 and that this will include the latest accepted ILVR (Dec 18) and a view of “BAU” and public inquiry operating costs;</p> <p>e) noted that the 2020 and 2021 financial year numbers will be published as part of the 2019/20 Statement of Performance Expectations;</p> <p>f) approved the “BEFU” budget for 2019-2023, summarised in the accompanying presentation. This includes a surplus of 9(2)(i) in the 2020 financial year;</p> <p>g) approved a revised Public Inquiry budget (including a provision for resource to address findings) of 9(2)(i) noting that costs include a budget to June 2020 which factors in the need to respond to any inquiry findings; and</p> <p>h) noted that the latest forecast indicates that Kaikoura CHE and assessment fees will be within the 9(2)(i) the Board has previously approved and hence no further approval is required.</p>		
<p>4.3</p>	<p>Financial Reporting – February 2019</p> <p>The Board:</p> <p>a) noted the accompanying February 2019 Financial pack;</p> <p>b) noted 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; and</p> <p>c) noted that the following comments on February’s financial performance:</p> <ol style="list-style-type: none"> i. Month revenue above budget (\$30.5m). This is driven by Crown funds invoiced in February for \$30m (the second S16 funding draw-down from Treasury), together with \$0.5m due to higher premiums, reinsurance recoveries and interest. ii. Core costs slightly above budget for the 		

	<p>month (\$15k).</p> <p>iii. Event costs below budget for month (\$0.6m), mainly due to lower workforce expenses in Canterbury.</p> <p>iv. Cash held at 28 February was \$66m (which includes the remaining funds received from the Crown).</p>		
	<i>Benesia Smith (EQC) left the meeting at 1.17pm.</i>		
4.4	<p>Geotechnical Engineering Tender - Contract</p> <p>The Board</p> <p>a) noted that contract negotiations have produced an agreed performance framework, aligning a comprehensive KPI and performance framework to EQC’s operational objectives;</p> <p>b) noted that the negotiated contract value balances competitive pricing with service quality, and represents value for money over the term of the contract;</p> <p>c) noted that Chapman Tripp has overseen the drafting of terms during the negotiation process, and has advised there are no material matters outstanding;</p> <p>d) authorised management to appoint Golder Associates (NZ) Limited, Tonkin + Taylor Limited, and WSP Opus to provide EQC with geotechnical services over the contract term;</p> <p>e) endorsed the Chief Executive being signatory to the panel agreements on behalf of EQC;</p> <p>f) noted the timeline for execution of the Agreement; and</p> <p>g) noted the timeline for debriefing unsuccessful RFP respondents.</p>		
	<i>Paul Jepson (EQC) left the meeting at 1.21pm</i>		
4.5	<p>GST Miscalculation and Related DFA</p> <p>The Board:</p> <p>a) noted that the Financial Control teams internal controls identified an issue with regard to the November 2018 GST return that was submitted to IRD on 14 January 2019;</p> <p>b) noted that Mary-Jane Daly in her capacity as Chair of the Audit and Risk Committee</p>		

	<p>approved the required payment to settle EQC's obligation via a tax pooling arrangement;</p> <p>c) noted that the cost to EQC for the GST miscalculation that occurred is \$49,392 of interest charges;</p> <p>d) noted that the value of GST payments have increased significantly as a result of the Section 16 Crown drawdowns that are now occurring; and</p> <p>e) approved the addition of a GST specific delegation in the DFA Framework to provide the CEO and CFO the ability to authorise GST payments (similar to the delegation that already exists for PAYE payments).</p>		
<p>4.6</p>	<p>Delegation Request to the Minister</p> <p>The Board</p> <p>a) approved sending a letter to the Minister requesting the ability to assign delegated financial authority (DFA) to individuals working at EQC in a Tier 2 or Tier 3 capacity either as a contractor or on secondment from elsewhere in the State Services. This would be on a case-by-case basis and administered at the discretion of the Chief Executive in writing; and</p> <p>b) noted that we await written confirmation from Treasury regarding the view that previous delegation approvals provided by the Minister to EQC do not require re- review or approval under the Crown Entities Act.</p>		
<p><i>Chris Chainey (EQC) left the meeting at 1:27pm.</i></p>			
<p>Section 5 Board Committee Updates</p>			
<p>5.1</p>	<p>Reinsurance and Resilience Committee Meeting Update</p> <p>The Board:</p> <p>a) noted the minutes of the Reinsurance and Resilience Committee Meeting held on 24 January 2019; and</p> <p>b) noted the verbal update from Alison O'Connell, Chair of the Reinsurance and Resilience Committee on the meeting held on</p>		

	18 March 2019.		
Section 6 General Business			
6.1	Matters Arising and Action Points The Board; a) noted the updates to the Action Points.		
6.2	Confirmation of Board Minutes The Board; a) noted a minor change to the wording of the recommendations on 3.2 Legal Issues Update, recommendation e); and b) confirmed the draft minutes of the Board meeting held on 25 February 2019 as a true and accurate record.		
6.3	Ratification of Evotes The Board; a) agreed to ratify the Evote <i>Financial Pack and Investment Report November 2018</i> ; b) agreed to ratify the Evote <i>Financial Pack December 2018</i> ; and c) agreed to record the details of these two Evotes in the Minutes of the March 2019 meeting.		
6.4	Proactive Release of Redacted Board Minutes The Board: a) noted 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; b) approved the public release of the redacted Minutes for its meetings on 26 November 2018; c) noted that since June 2018 when the Board Minutes began being published on the EQC website there have been 425 page views, with 182 from external sources; d) noted that since May 2018 when Minutes were first proactively released, EQC has received no specific requests for Board Minutes under the Official Information Act 1982 (OIA); and e) noted that Management monitors the traffic on the EQC web page in relation to Board		

	<p>Minutes and will continue to provide regular updates to the Board on this.</p>		
<p>Section 7 Correspondence of Interest</p>			
<p>7.1</p>	<p>Letter from Minister Woods re Immediate changes to the procurement of low emission vehicles</p> <p>The Board:</p> <p>a) noted the correspondence from Minister Woods on the 25th of February 2019 informing EQC of opportunities available in respect of the procurement of low emission vehicles.</p>		
<p><i>The meeting closed at 1:40pm</i></p>			
	<p>The next meeting is to be held on Tuesday 30 April 2019 in Wellington.</p> <p>The Meeting closed at 1:40pm. These minutes were approved by the Board as a true and correct record.</p> <p>_____</p> <p>Sir Michael Cullen Date Board Chair</p>		