

**MINUTES OF THE MEETING OF  
 THE BOARD OF THE EARTHQUAKE COMMISSION  
 Held in the Te Karo Room, Barry Hogan Place, Christchurch  
 9.30am – 4.00pm, Monday 30 September 2019**

**Present:**

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

**Apologies:**

Paul Jepson

9(2)(a)

**In attendance:**

Sid Miller, Chief Executive Officer  
 Renee Walker, DCE Readiness and Recovery  
 Chris Chainey, Chief Financial Officer  
 Benesia Smith, Head of EQC Inquiry Team  
 9(2)(a) Deputy Head of EQC Inquiry Team  
 9(2)(a) Senior Advisor  
 9(2)(a) Senior Advisor  
 9(2)(a) PwC  
 9(2)(a) PwC  
 9(2)(a) Head of Health, Safety, Security, and Wellbeing  
 9(2)(a) Executive Strategic Advisor (Secretariat)

The meeting was declared open at 9.30 am

	AGENDA ITEMS & KEY DISCUSSION POINTS	ACTIONS REQUIRED	DUE DATE
<b>Section 1</b>	<b>Board Governance</b>		
<i>Commissioners entered the meeting at 9:30 am</i>			
	<b>Board Only</b>		
<i>Sid Miller entered the meeting at 9.50 am</i>			
	<b>Board and CE Only</b>		
<b>9(2)(a)</b> and <b>9(2)(a)</b> entered the meeting at 10.45 am			
<b>1.1</b>	<b>Present and Apologies</b>  The Board: a) <b>noted</b> apologies were received from Paul Jepson and <b>9(2)(a)</b>		
<b>1.2</b>	<b>Interests Register/Declaration of Conflicts of Interest</b>  The Board: a) <b>noted</b> the interests register and there were no conflicts of interest declared.		

<b>1.3</b>	<b>Health Safety and Wellbeing Report</b> The Board: a) <b>noted</b> there were 14 incidents reported in August, including a notifiable event; b) <b>noted</b> there were no Medical Treatment Injuries (MTI) or Lost Time Injuries (LTI) in August; c) <b>noted</b> the update and actions taken and planned to improve our peoples safety; d) <b>noted</b> that the Board will receive updates on the progress of the management actions via the monthly Health, Safety, Security and Wellbeing report.		
<b>9(2)(a)</b> left the meeting at 10.52 am			
<b>Section 2</b>	<b>Strategic Priorities</b>		
<b>2.1</b>	<b>Chief Executive's Report</b> The Board: a) <b>noted</b> the contents of the paper provided on: a. Reinsurance update b. Resilience Strategy update c. Loss modelling update d. Property Insurance Markets e. Proposed changes to the Building Code f. Proactive publication g. Minister for EQC's visit to Christchurch office h. Governance and Administration Select Committee	<ul style="list-style-type: none"> <li>• Management to upload the final Resilience Strategy in Diligent Resource Centre ahead of Public Release.</li> <li>• Management to provide further update on Loss Modelling delivery timeframes at next Board meeting.</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Oct-19</li> <li>• Oct-19</li> </ul>
<b>9(2)(a)</b> Renee Walker and Chris Chainey entered the meeting at 11.10 am			
<b>2.2</b>	<b>EQC Strategic Review</b> The Board: a) <b>noted</b> the background, challenges, lessons learned and trends impacting expectations relating to the role of EQC; b) <b>confirmed</b> the strategic choices that EQC has already given prominence to in order to build organisational capability and alignment; c) <b>confirmed</b> the immediate priority and focus of the organisation be on current	<ul style="list-style-type: none"> <li>• Management to facilitate a half-day session with the Board with a focus on current and future state readiness.</li> </ul>	<ul style="list-style-type: none"> <li>• Oct-19</li> </ul>

	<p>and future state readiness for natural disaster events;</p> <p>d) <b>confirmed</b> that the half-day working session, planned with the Board on 31 October, be focused on the immediate priority of current and future state readiness, and the supporting capabilities that enable this; and</p> <p>e) <b>provided feedback</b> on the proposed policy programme (appendix 1).</p>		
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9(2)(a) and 9(2)(a) left the meeting at 12.10 pm  
 The meeting adjourned for lunch at 12.10 pm  
 The meeting resumed at 12.30 pm  
 The Claimant Reference Group (Tom McBrearty, Ali Jones, Mel Bourke, David Townshend, Dean Lester, Linda Ngata, Jo Petrie, Phillipa Moore) and Renee Walker joined the meeting at 12.30 pm

	<p><b>Visit from Claimant Reference Group</b></p>		
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The Claimant Reference Group left the meeting at 1.20 pm  
 Renee Walker, Chris Chainey, 9(2)(a) Benesia Smith, 9(2)(a) entered the meeting at 1.20 pm

<p><b>2.3 Public Inquiry into EQC</b></p>	<p>The Board:</p> <p>a) <b>noted</b> the update on the Public Inquiry;</p> <p>b) <b>confirmed</b> the option the Board would like to proceed with in relation to the timing of a public apology is:</p> <ul style="list-style-type: none"> <li>a) Include a section on the work EQC has undertaken relating to responding to the Public Inquiry in the Chair’s statement of the Annual Report that notes lessons have been hard learned; and</li> <li>b) A media release coordinated and consistent with the Chair’s statement of the Annual Report.</li> </ul> <p>c) <b>provided feedback</b> on amendments to be made to the statement;</p> <p>d) <b>endorsed</b> EQC providing an in confidence copy of our closing submission to the Treasury; and</p> <p>e) <b>noted</b> the need to provide appropriate notice to key stakeholders ahead of the release including the Minister for EQC, the Public Inquiry, and Reinsurers.</p>		
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Benesia Smith, 9(2)(a) left the meeting at 1.55 pm

<p><b>2.4</b></p>	<p><b>Transformation Update</b></p> <p>The Board:</p> <p>a) <b>noted</b> the Transformation Update; and b) <b>noted</b> the Board agenda this month included specific papers which impact workstream 4b (Claims Optimisation).</p>	<ul style="list-style-type: none"> <li>• Management to ensure the workstream 4b update includes the full scope of claims optimisation rather than Southern Response transition only.</li> </ul>	<ul style="list-style-type: none"> <li>• Oct-19</li> </ul>
<p><b>2.5</b></p>	<p><b>Key Features of Insurer Response Model</b></p> <p>The Board:</p> <p>a) <b>agreed</b> that EQC continues discussions with insurers on the insurer response model using the starting scope set out in the paper; b) <b>noted</b> that EQC continues to progress workstreams to support on-going insurer engagement and operationalising the Proposed Response Model; c) <b>noted</b> that the costs and benefits of the Proposed Response Model are likely to change and become clearer as issues and concessions arise during negotiations and as further operational arrangements are worked through; d) <b>noted</b> that in response, EQC will develop reference points to support on-going evaluation of the Proposed Response Model, these will set out counterfactual considerations based on information from previous events, including costs and benefits using alternative arrangements or retaining internal capacity; and e) <b>agreed</b> further detail and specific points the Board requires will be covered in the half-day session with the Board on 31 October.</p>	<ul style="list-style-type: none"> <li>• Management to continue to engage to establish interim bilateral agreements with Private Insurers prioritised on market share.</li> </ul>	<ul style="list-style-type: none"> <li>• Dec-19</li> </ul>
<p><b>2.6</b></p>	<p><b>Southern Response Transition Plan</b></p> <p>The Board:</p> <p>a) <b>noted</b> the draft Ministerial Direction and draft Agency Agreement provided as part of this Paper; b) <b>noted</b> the benefits and risks both from an EQC and Crown perspective associated with EQC acting as agent for remaining SRES over-cap claims; c) <b>provided</b> feedback on the draft Ministerial Direction and draft Agency Agreement; d) <b>agreed</b> to an in principle approach to EQC acting as agent for remaining SRES over-cap claims, subject to a Ministerial Direction;</p>	<ul style="list-style-type: none"> <li>• Management to seek an EQC legal opinion on the specific wording of the Agency agreement, particularly as it relates to the transfer of claims under appeal.</li> </ul>	<ul style="list-style-type: none"> <li>• Oct-19</li> </ul>

	<p>e) <b>noted</b> that if the Board agree to an in principle approach to EQC acting as agent for remaining SRES over-cap claims that;</p> <ul style="list-style-type: none"> <li>a) Treasury still need to provide advice to the Minister Responsible for the Earthquake Commission on the need for a Ministerial Direction;</li> <li>b) The Minister will need to consider this advice along with the Ministerial Direction and make a decision;</li> <li>c) If the Minister agrees to the Ministerial Direction the Board will be able to provide further comment on the final Ministerial Direction and will still need to agree to the final Agency Agreement in the October Board meeting.</li> </ul> <p>f) <b>noted</b> that the SRES Board have met and endorsed the general approach set out in the draft Agency Agreement; and</p> <p>g) <b>noted</b> that this paper will be shared with SRES and Treasury to help inform their future advice.</p>		
<p><b>2.7</b></p>	<p><b>Onsold Programme Update</b></p> <p>The Board:</p> <ul style="list-style-type: none"> <li>a) <b>noted</b> that the Board was presented with a draft Ministerial Direction and Deed, and a letter responding to both on September 20, and that the letter was formally endorsed by eVote on September 23;</li> <li>b) <b>noted</b> that subsequent to the endorsement, EQC Management has continued to work with Treasury to finalise the content of the Deed as a priority;</li> <li>c) <b>noted</b> that a number of changes to the operating environment have been driven by the on-sold Policy;</li> <li>d) <b>noted</b> the number of expressions of interest received since the policy announcement;</li> <li>e) <b>noted</b> the updates to the draft On-sold Deed; and</li> <li>f) <b>endorsed</b> the proposed approach to the public education campaign.</li> </ul>		
<p><b>Section 3</b></p>	<p><b>Performance and Reporting</b></p>		

<p><b>3.1</b></p>	<p><b>EQC Annual Report</b></p> <p>The Board:</p> <p>a) <b>noted</b> that Audit and Risk Committee has reviewed both the draft SoPE measures and the draft Annual Report text, and feedback received has been addressed;</p> <p>b) <b>noted</b> the Annual Report has been reviewed from a legal perspective by EQC’s Senior Legal Business Partner;</p> <p>c) <b>noted</b> that the Annual Report will be proofread once all changes are complete;</p> <p>d) <b>noted</b> that EY has materially completed its audit of EQC, and that the final report and Management Letter was reviewed by ARC on 25 September;</p> <p>e) <b>noted</b> that it is proposed that the Annual report will be signed as soon as feasibly possible;</p> <p>f) <b>noted</b> the planned timetable for the rest of the process;</p> <p>g) <b>approved</b> the proposed final 2018-19 Annual Report, noting that there may be some further changes to align the report with the final audit report and financials once recieved;</p> <p>h) <b>noted</b> that if the further changes are of a minor nature then final approval by the Board will be sought via eVote;</p> <p>i) <b>noted</b> that if the futher changes are of a material nature the Annual Report will be tabled again with the Board for approval;</p> <p>j) <b>approved</b> the signing of the Statement of Responsibility using the electronic signatures of the Chair of the Board and the Deputy Chair, which will be dated once all changes are complete, subject to (h) and (i) above; and</p> <p>k) <b>approved</b> the signing of the EQC Board’s Letter of Representation to EY by the Chair of the Board and the Deputy Chair (noting that a letter to the EQC Board from the CE and CFO will be received in due course).</p>		
<p><b>3.2</b></p>	<p><b>EQC Performance Report – August 2019</b></p> <p>The Board:</p> <p>a) <b>noted</b> that this paper accompanies the EQC’s Executive Dashboard to 31 August 2019 and provides qualitative commentary on performance to supplement the quantitative information shown in the dashboard; and</p>	<ul style="list-style-type: none"> <li>• Management to provide an update to the Board on initiaitves to increase the settlement rate to 1000 claims per month.</li> </ul>	<ul style="list-style-type: none"> <li>• Oct-19</li> </ul>

	<p>b) <b>noted</b> that the EQC’s Executive Dashboard to 31 August 2019 (excluding the section pertaining to Kaikōura and information relating to near misses in the Privacy Breaches section) will be published on EQC’s external website by 07 October 2019.</p>		
<b>Section 4</b>	<b>Financial and Risk</b>		
<b>4.1</b>	<p><b>Financial Reporting</b></p> <p>The Board:</p> <p>a) <b>noted</b> the accompanying August 2019 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 the August financial performance:</p> <p>a. Revenue above budget (\$0.7m). This is due to higher premiums (\$0.3m), higher interest income (\$0.1m) and higher reinsurance recoveries (\$0.3m);</p> <p>b. Core operating costs above budget (\$0.1m). This is mainly driven by higher GeoNet costs (\$0.4m); largely offset by lower workforce expenses (\$0.3m) due to lower than planned FTE levels;</p> <p>c. Event operating costs below budget (\$0.1m). This is mainly due to lower than expected consultancy spend in Canterbury (mainly insurer finalisation team).</p> <p>d. Cash &amp; Investments held at 31 August were \$92m;</p> <p>d) <b>noted</b> a further drawdown of funds under section 16 of the EQC Act will occur on 1st October 2019 for \$50m (plus GST).</p>		
<b>4.2</b>	<p><b>HYEFU 2019</b></p> <p>The Board:</p> <p>a) Noted the presentation that accompanied the paper, which provided further detail on the HYEFU forecast. This presentation is for internal purposes only and does not get provided to Treasury;</p> <p>b) Noted that EQC will be due to submit its final numbers as part of the 2019 HYEFU update exercise on 14 October 2019 and this will</p>		

	<p>include the latest accepted ILVR (June 2019); and</p> <p>c) <b>approved</b> the submission of EQC’s forecast to the HYEFU process, which forecasts the following 2020 – 2024 net surpluses;</p> <ul style="list-style-type: none"> <li>a) 2020 - \$444.1m, \$258.6m excluding risk margin</li> <li>b) 2021 - \$196.8m, \$174.2m excluding risk margin</li> <li>c) 2022 - \$193.5m, \$179.8m excluding risk margin</li> <li>d) 2023 - \$191.2m, \$185.5m excluding risk margin</li> <li>e) 2024 - \$194.3m, \$191.6m excluding risk margin</li> </ul>		
<p><b>4.3</b></p>	<p><b>Delegations Update</b></p> <p>The Board:</p> <ul style="list-style-type: none"> <li>a) <b>approved</b> the addition of the Manager Financial Reporting to the delegation relating to the approval of the payment of payroll related expenses to replace the Finance Systems Manager from the delegation;</li> <li>b) <b>approved</b> the updating of the guidance notes, in the Contracts section of the Framework to read, ‘Refer to the Procurement Policy’ and ‘*Delegation may be increased to \$5,000,000 with the approval of the Chair of the Board’;</li> <li>c) <b>approved</b> the addition of a delegation within the Corporate, Legal &amp; Communications section of the Framework, that allows the Head of Claims, DCE Readiness and Recovery and the Chief Executive, rights to execute the on-sold ex-gratia Ministerial Direction payments at the levels of \$300,000, \$500,000 and over \$500,000 respectively.</li> </ul>		
<p><b>4.4</b></p>	<p><b>Legal Update</b></p> <p>The Board:</p> <ul style="list-style-type: none"> <li>a) <b>noted</b> the manner in which legal advice is used in formulating the terms of settlement of claims, including litigation;</li> <li>b) <b>noted</b> that the legal cost and legal risk of unresolved claims is taken into consideration when formulating settlement offers;</li> <li>c) <b>noted</b> that cumulative legal fees per customer claim are now monitored to identify appropriate cases for early resolution;</li> </ul>		



	<p>d) <b>noted</b> that in a very few cases resolution is not possible and that litigation must proceed to a hearing, at considerable cost to EQC and the customer;</p> <p>e) <b>noted</b> that court decisions were delivered this month on two high cost cases;</p> <p>f) <b>noted</b> the two Southern Response court decisions over the last month; and</p> <p>g) <b>noted</b> the current basis on which EQC's legal function is managing legal risks of claim litigation.</p>		
<b>Section 5 Board Committee Updates</b>			
<b>5.1</b>	<p><b>Audit and Risk Committee</b></p> <p>The Board:</p> <p>a) <b>noted</b> the minutes of the 25 September 2019 Inquiry Board Committee.</p>	<ul style="list-style-type: none"> <li>• Management to confirm arrangements for the Nov meeting of the ARC</li> </ul>	<ul style="list-style-type: none"> <li>• Oct-19</li> </ul>
<b>5.2</b>	<p><b>Reinsurance and Resilience Committee</b></p> <p>The Board:</p> <p>b) <b>noted</b> the minutes of the 23 September 2019 Audit and Risk Committee.</p>	<ul style="list-style-type: none"> <li>• Management to confirm arrangements for the Nov meeting of the RRC</li> </ul>	<ul style="list-style-type: none"> <li>• Oct-19</li> </ul>
<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>		
<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 August 2019 as a true and accurate record subject to an amendment to para 2.7.</p>		
<b>6.3</b>	<p><b>Proactive Release of Redacted Board Minutes</b></p> <p>The Board:</p> <p>a) <b>approved</b> the public release of the redacted Minutes for its meetings on 29 July 2019 subject to minor amendments.</p>		
<b>6.4</b>	<p><b>Ratification of Evotes</b></p> <p>a) <b>agreed</b> to ratify the Evote Ministerial Direction re On-sold Policy; and</p>		

	b) <b>agreed</b> to record the details of the Evote in the Minutes of the September 2019 Board meeting.		
<i>The meeting closed at 3.41pm</i>			
	<p>The next meeting is to be held on Tuesday 30 October 2019 in Wellington.</p> <p>These minutes were approved by the Board as a true and correct record.</p> <p>_____</p> <p>Sir Michael Cullen      Date Board Chair</p>		

DRAFT