

**MINUTES OF THE MEETING OF  
THE BOARD OF THE EARTHQUAKE COMMISSION  
Held in the Wairarapa Room, Majestic Centre, Wellington  
9.30am – 4.00pm, Monday 27 January 2020**

**Present:**

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

**In attendance:**

Sid Miller, Chief Executive Officer  
Renee Walker, DCE Readiness and Recovery  
Chris Chainey, Chief Financial Officer  
9(2)(a) (via video conference)  
Benesia Smith, Head of EQC Inquiry Team  
9(2)(a) Head of Claims  
KPMG  
Executive Strategic Advisor (Secretariat)

**Apologies:**

Mary-Jane Daly (arrived at 10.15am)

*The meeting was declared open at 9.30am*

	AGENDA ITEMS & KEY DISCUSSION POINTS	ACTIONS REQUIRED	DUE DATE
<b>Section 1</b>	<b>Board Governance</b>		
<i>Commissioners entered the meeting at 9.30am</i>			
	<b>Board Only</b>		
<i>Sid Miller entered the meeting at 9.50am</i>			
	<b>Board and CE Only</b>		
<b>9(2)(a)</b> entered the meeting at 10.00am			
<b>1.1</b>	<b>Present and Apologies</b> The Board: a) <b>noted</b> the delayed arrival of Mary-Jane Daly.		
<b>1.2</b>	<b>Interests Register/Declaration of Conflicts of Interest</b> The Board: a) <b>noted</b> there were no conflicts of interest declared.		

<p><b>2.1 Chief Executive's Report</b></p>	<p>The Board noted the updates:</p> <ol style="list-style-type: none"> <li>a. Correspondence with the Insurance Council of New Zealand</li> <li>b. Information and analytics strategic partner appointed</li> <li>c. Organisational change</li> <li>d. Mixed use Buildings</li> <li>e. Select Committee questions</li> <li>f. OIA statistics - SSC return</li> <li>g. OIA request to DPMC for Cabinet papers from 2012</li> <li>h. Owner's expectations manual</li> <li>i. Correction required to Statement of Performance Expectations 2019-20</li> <li>j. EQC gifts groundwater monitoring network to Christchurch</li> <li>k. Engagement with California Earthquake Authority</li> <li>l. Environmental scan</li> </ol>	<ul style="list-style-type: none"> <li>• Management to update the letter to ICNZ based on Board feedback.</li> <li>• Management to provide an update on organisational change at the Feb Board meeting.</li> </ul>	<ul style="list-style-type: none"> <li>• Feb 20</li> <li>• Feb 20</li> </ul>
<p><b>9(2)(a)</b> joined the meeting via video conference at 10.35 am</p>			
<p><b>1.3 Health Safety and Wellbeing Report</b></p>	<p>The Board:</p> <ol style="list-style-type: none"> <li>a. <b>noted</b> there were 11 incidents reported in November and 12 in December 2019;</li> <li>b. <b>noted</b> there were no Medical Treatment Injuries (MTI) or Lost Time Injuries (LTI) in this reporting period;</li> <li>c. <b>noted</b> the update and actions taken and planned to improve our peoples safety, security and wellbeing;</li> <li>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.</li> </ol>	<ul style="list-style-type: none"> <li>• Management to arrange a site visit for Commissioners</li> <li>• Management to consider leading indicators of staff wellbeing</li> <li>• Management to provide an update on PSR progress</li> </ul>	<ul style="list-style-type: none"> <li>• Mar 20</li> <li>• Mar 20</li> <li>• Feb 20</li> </ul>
<p><b>9(2)(a)</b> left the meeting at 10.52 am Benesia Smith and Renee Walker entered the meeting at 10.52 am</p>			

<b>2.2</b>	<p><b>Public Inquiry into EQC</b></p> <p>The Board:</p> <ul style="list-style-type: none"> <li>a. <b>noted</b> EQC’s feedback to the draft Public Inquiry report (<b>Attachment A</b>), which was provided to the Public Inquiry on 20 January 2020; and</li> <li>b. <b>noted</b> that EQC’s insurer QBE has advised that it would meet the costs of legal assistance to assist former staff to respond to the draft Public Inquiry report.</li> </ul>		
<p><i>Benesia Smith and Renee Walker left the meeting at 11.12 am</i>  <i>Chris Chainey entered the meeting at 11.12 am</i></p>			
<b>2.5</b>	<p><b>Reinsurance Renewal</b></p> <p>The Board:</p> <ul style="list-style-type: none"> <li>a. <b>noted</b> that two discussions have taken place at RRC meetings and these have involved EQC Management, the Treasury and Aon (as our broker);</li> <li>b. <b>noted</b> the expected increase in reinsurance pricing arising from the previously implemented change to the EQC Act as all policies will be on the new basis by 1 July 2020;</li> <li>c. <b>noted</b> that Treasury has signalled its ongoing support for EQC’s reinsurance programme and its focus on severe risk in its support of New Zealand’s overall balance sheet risk;</li> <li>d. <b>noted</b> EQC’s current HYEPU provision for the 2020/21 reinsurance renewal reinsurance is <b>9(2)(i)</b> being roughly <b>9(2)(i)</b> percent of EQC’s forecast annual premium income (\$489m);</li> <li>e. <b>noted</b> that the HYEPU provisions specifically excluded any allowance for reinsurance price increases as a result of ongoing Canterbury loss deterioration;</li> <li>f. <b>noted</b> that Aon estimate that the cost of securing EQC’s existing capacity will <b>9(2)(i)</b></li> <li>g. <b>noted</b> these recommendations are consistent with the Reinsurance Strategy;</li> <li>h. <b>noted</b> that the broader context of these recommendations will be articulated in the Risk Financing Strategy when it is presented to the Board;</li> </ul>		

<p>i. <b>approved</b> a marketing objective for the 2020/21 renewal of securing the expiring ‘core’ capacity programme (NZD 6.0bn xs NZD 1.75bn);</p> <p>j. <b>approved</b> an estimated budget in the range of 9(2)(i) percent of forecast annual premium income) with Management to revert to the Board if pricing is likely to fall outside of this range;</p> <p>k. <b>noted</b> that it is considered that opportunities to extend both multi-year placements and capacity at the top end of the existing programme (i.e., xs NZD 7.75bn) should continue to be prioritised over options to reduce EQC’s existing deductible;</p> <p>l. <b>approved</b> the continued exploration of further multi-year subscription placement of the core programme (subject to reinsurer appetite) and explore complementary options for longer-term commitment of capacity; and</p> <p>m. <b>approved</b> that any further enhancements to the EQC reinsurance programme signalled in (j) above should be are managed on a specific case by case basis and subject to further Board approval before final terms are agreed.</p>		
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*Renee Walker joined the meeting at 11.58 am*

<p><b>2.6 Readiness and Recovery update</b></p> <p>The Board:</p> <p>a. <b>noted</b> that the Southern Response transition is complete and EQC is now acting as agent for the remainder of SRES open claims;</p> <p>b. <b>noted</b> progress on implementation of the on-sold support package;</p> <p>c. <b>noted</b> that EQC staff will be meeting with Treasury officials in early February to discuss potential amendments to the on-sold policy;</p> <p>d. <b>noted</b> that EQC is currently meeting all obligations related to Southern Response and on-sold policy claims.</p>	<ul style="list-style-type: none"> <li>• Management to introduce enhanced reporting on Southern Response claims and on-sold policy claims in monthly performance reporting to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Feb 20</li> </ul>
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<p><b>4.2 Legal update</b></p> <p>The Board:</p> <p>9(2)(h)</p>		
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	<p>9(2)(h)</p> <p>9(2)(h)</p> <p>c. <b>noted</b> that an update will be provided at the February Board Meeting.</p>		
<p><b>3.1</b></p>	<p><b>EQC Performance Report – December 2019</b></p> <p>The Board:</p> <p>a. <b>noted</b> that this paper accompanies the EQC’s Executive Dashboard to 31 December 2019 and provides qualitative commentary on performance to supplement the quantitative information shown in the dashboard; and</p> <p>b. <b>noted</b> that the EQC’s Executive Dashboard to 31 December 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 14 February 2020.</p>	<ul style="list-style-type: none"> <li>• Management to provide an update on customer centric measures and targets</li> </ul>	<ul style="list-style-type: none"> <li>• Feb 20</li> </ul>
<p><b>4.1</b></p>	<p><b>Financial Reporting – December 2019</b></p> <p>The Board:</p> <p>a. <b>noted</b> the accompanying December 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> that the following comments on the December financial performance:</p> <ul style="list-style-type: none"> <li>i. Revenue above budget (\$0.6m) due to higher premiums (\$0.5m) and interest received on Section 16 funds (\$0.1m);</li> </ul>		

	<ul style="list-style-type: none"> <li>ii. Core operating costs are below month budget (\$0.6m). This is mainly due to lower workforce expenses due to lower FTE levels and impact of the holiday period;</li> <li>iii. Event operating costs are below budget (\$2.0m). This is mainly due to lower payments to private insurers in Kaikoura (\$0.4m) and lower operating costs in Canterbury (\$1.6m) resulting from lower resourcing levels and consultancy spend;</li> <li>iv. Cash and Investments held at 31 December were \$148m; and</li> </ul> <p>d. <b>noted</b> the CFO will engage with the Treasury to discuss future needs under section 16 of the EQC Act for the 1<sup>st</sup> March 2020.</p>		
<p><b>5.1</b></p>	<p><b>Audit and Risk Committee Annual Review</b></p> <p>The Board:</p> <ul style="list-style-type: none"> <li>a. <b>noted</b> that the Committee agreed it had largely met its obligations under the ToR for the period; and</li> <li>b. <b>noted</b> that there are three areas rated as amber (partially achieved). These will form key areas of focus for the next year.</li> </ul>		
<p><b>5.2</b></p>	<p><b>Reinsurance and Resilience Committee Annual Review</b></p> <p>The Board:</p> <ul style="list-style-type: none"> <li>a. <b>noted</b> that the Committee agreed it had largely met its obligations under the ToR for the period;</li> <li>b. <b>noted</b> that there are four areas assessed as not being fully achieved, with one rated red (did not achieve) and two amber (partially achieved); and</li> <li>c. <b>noted</b> that the Committee requested that Management review the Risk Financing strategy for approval by the Reinsurance and Resilience Committee.</li> </ul>		
<p><b>5.3</b></p>	<p><b>Inquiry Committee</b></p> <p>The Board:</p> <ul style="list-style-type: none"> <li>a. <b>noted</b> the minutes of the Inquiry Committee meetings held 8 January 2020 and 16 January 2020.</li> </ul>		

<p><i>The meeting adjourned for lunch at 12.35 pm and reconvened at 1.05 pm.</i></p>		
<p><b>9(2)(a)</b> joined the meeting at 1.05pm</p>		
<p><b>2.4</b></p>	<p><b>Transformation Assurance</b></p> <p>The Board:</p> <ol style="list-style-type: none"> <li>a. <b>noted</b> the 'Strategic Confirmation of the Information and Analytics and Enabling Systems workstreams' review presented by KPMG; and</li> <li>b. <b>noted</b> that Management will actively consider how to best mitigate / address the 'key concerns and observations on potential challenges' raised in the report.</li> </ol>	
<p><b>9(2)(a)</b> left the meeting at 2.48 pm.</p> <p><i>Renee Walker and Chris Chainey joined the meeting at 2.48 pm.</i></p>		
<p><b>2.3</b></p>	<p><b>Transformation Update</b></p> <p>The Board:</p> <ol style="list-style-type: none"> <li>a. <b>Noted</b> the progress that has been made on EQC's transformation to date.</li> <li>b. <b>Noted</b> the addition of the Customer workstream into the One-EQC Transformation Portfolio.</li> <li>c. <b>Endorsed</b> the closure of Claims Optimisation as a standalone workstream at the completion of final milestones.</li> <li>d. <b>Noted</b> the updated governance for the One-EQC Transformation Portfolio.</li> <li>e. <b>Noted</b> the detailed workstream updates attached to this paper.</li> </ol>	<ul style="list-style-type: none"> <li>• Management to provide an update on the measures being taken to improve customer experience and outcomes, in line with the conduct and culture requirements being implemented by Private Insurers.</li> <li>• Feb 20</li> </ul>
<p><b>9(2)(a)</b> joined the meeting at 2.59 pm.</p>		

<b>2.6</b>	<p><b>Readiness and Recovery update (continued from earlier)</b></p> <p>The Board:</p> <ol style="list-style-type: none"> <li>a. <b>noted</b> the insurer engagement slide pack attached to this Paper outlining the three key workstreams currently in progress with insurers; and</li> <li>b. <b>noted</b> that the Board will be provided with a detailed transition plan outlining how we propose to move from the current claims operating model to the future state at the February Board Meeting.</li> </ol>		
<b>2.7</b>	<p><b>Insurer finalisation update</b></p> <p>The Board:</p> <ol style="list-style-type: none"> <li>a. <b>noted</b> the progress with each of the insurers in the Insurer Finalisation workstream;</li> <li>b. <b>noted</b> Managements intention to make a further and final offer to Tower for the land litigation of \$10m plus GST (previously the Board approved delegated authority of up to \$10m including GST); and</li> <li>c. <b>noted</b> that DCE Readiness and Recovery and Head of Claims will represent EQC at the mediation on building wash up with Tower on 10<sup>th</sup> and 11<sup>th</sup> February 2020.</li> <li>d. <b>Noted</b> that Management will seek delegated authority with appropriate supporting information for b. and c. via Board eVote.</li> </ol>		

*Renee Walker, Chris Chainey and 9(2)(a) left the meeting at 3.25 pm.*

## Section 6 General Business

<b>6.1</b>	<p><b>Matters Arising and Action Points</b></p> <p>The Board;</p> <ol style="list-style-type: none"> <li>a. <b>noted</b> the updates to the Action Points.</li> </ol>	<ul style="list-style-type: none"> <li>• Management to email Commissioners supporting information for items B662, B663, and B664</li> </ul>	<ul style="list-style-type: none"> <li>• Jan 20</li> </ul>
<b>6.2</b>	<p><b>Confirmation of Board Minutes</b></p> <p>The Board;</p> <ol style="list-style-type: none"> <li>a. <b>confirmed</b> the draft minutes of the Board meeting held on 25 November 2019 as a true and accurate record.</li> </ol>		

<b>6.3</b>	<p><b>Proactive Release of Redacted Board Minutes</b></p> <p>The Board:</p> <ol style="list-style-type: none"> <li>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;</li> <li>b. <b>approved</b> the public release of the redacted Minutes for its meetings on 31 October 2019;</li> <li>c. <b>noted</b> that since July 2018 when the Board Minutes began being published on the EQC website there have been 885-page views, with 448 from external sources;</li> <li>d. <b>noted</b> that since May 2018 when Minutes were first proactively released, EQC has received one specific request for Board Minutes under the Official Information Act 1982 (OIA); and</li> <li>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.</li> </ol>		
<b>6.4</b>	<p><b>Ratification of eVotes</b></p> <p>The Board:</p> <ol style="list-style-type: none"> <li>a. <b>agreed</b> to ratify the <i>Evote Information and Analytics Programme</i>.</li> </ol>		
<i>The meeting closed at 3.45pm</i>			
	<p>The next meeting is to be held on 28 February 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                      _____        Board Chair                                      Date</p>		