



**MINUTES OF A MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION
held in the EQC Boardroom
Level 20, Majestic Centre, 100 Willis Street, Wellington
on Wednesday, 8 September 2010, at 10.00am**

PRESENT: M C Wintringham (Chair)
K B Taylor (Deputy Chair) – Present via conference call
L M Robertson
G A McLachlan
D K Bovaird

In Attendance: I Simpson (Chief Executive)
P R Jacques (Chief Financial Officer)
L R Dixon (Insurance Manager)
9(2)(a) [REDACTED] (Minutes)

1. Present and Apologies

The Chairman reminded the Board that this would be a short meeting focussing on the Canterbury earthquake and EQC's response. Ian Simpson and Lance Dixon made apologies that they would only be able to attend the meeting for the first hour as they were both flying to Christchurch. Keith Taylor was in attendance via conference call.

2. Situation Update

The Chief Executive briefed the Board on the response to date to the Canterbury earthquake. The Chairman raised the risk of extra financial liability for the Earthquake Commission when, for example, its assessment or remediation decisions conflict with those made by Local Authority, or if Government decisions effectively extend EQC's mandate. It was decided that a seamless arrangement needs to be established between EQC, Government and Local Authorities, also noting that EQC's re-insurers will expect EQC to keep within the provisions of its Act.

Land damage in the Canterbury region has been significant and questions were raised over the possible escalating cost due to the absence of a cap on land claim compensation. Lance explained that although there is no monetary cap on land cover, there is an area limit of 4,000 square metres and that most of the value lies in the area of a house section. There are likely to be approximately 15,000 land claims, the cost of which is estimated to total \$150 million to EQC.

3. Estimated Total Cost of Claims to EQC

\$1.5 - \$2.4 billion. This range will be refined as claims come in.

4. Claims Process

The Board was informed of the initial problems that arose in processing the vast number of claims received in the first week after the event.

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IBM were commended for their outstanding response to the problem of the ballooning "holding bucket" of lodged online claims. The expanded call centre capacity was described, and the plans for future expansion as required.

It was suggested that someone should be assigned to maintaining a record of the problems that EQC have faced and lessons learned.

It was brought to the attention of the Board that some insurance companies have been sending their own assessors to evaluate damaged homes and then forwarding their findings to EQC. It was noted that there needs to be better coordination and process between EQC and insurers. Ian commented that these issues would be addressed at the Insurance Council Meeting that EQC would be attending later that day.

The Board were assured that the plan for field offices includes offices outside the Christchurch metropolitan area. However, as 90% of claims are from within this area, it will be necessary to concentrate efforts there.

5. Investments

The Board considered a management paper on changes to intended investment decisions in the light of the Canterbury earthquake.

The Board agreed:

- 1. To stop the transition of funds from Alliance Bernstein - Global Value to LSV and to receive the proceeds from the termination of Alliance Bernstein - Global Value in cash.**
- 2. To stop the selection process for a replacement Growth Manager and receive the proceeds from the termination of Alliance Bernstein Global Research Growth in cash.**
- 3. To write to the Minister of Finance seeking a change to the Minister's direction to remove or modify the bank bill limit to enable EQC to hold substantial sums in bank securities and term deposits.**

It was noted that the transition of the two terminated investment managers' portfolios into New Zealand cash is to be completed by the appointed Transition Manager.

The NZDMO will be consulted on the transition of foreign currency into New Zealand dollars.

6. Finance

The Board considered and approved a request to modify (as attached) the financial delegations framework to :

- 1. Increase some staff authorities during the response to the Canterbury earthquake.**
- 2. Create at Gallagher Bassett Services the role of Group Manager with authorities of \$150,000 for claims proceeds and \$20,000 for fees; with the requirement that the Audit Risk and Compliance Committee review the operation and suitability of the delegations at its meeting currently scheduled for 28 October 2010.**

Internal Controls and Audit

Philip reported that KPMG have an existing contract to conduct internal audits in relation to claims events and that this work is being extended to ensure an overlap, with checking conduct by EQC staff.

In addition the accounting staff of 3 people is being increased to 7 people to carry out additional verification and control work to ensure that a strong control environment is maintained.

Management will provide additional reporting to the Audit, Risk and Compliance Committee on costs of the event and EQC's response.

KPMG's internal audit reports will also be provided to the Audit, Risk and Compliance Committee.

7. Reinsurance

The Board speculated that due to the sequence of disasters worldwide, an increase in reinsurance premiums in 2011 is likely.

The definition of "one event" under EQC's reinsurance contracts was raised by the Board. It was decided that a briefing on this would be prepared by management.

The Earthquake Commission Act specifies that claims must be lodged within 30 days of an event with an extension to 90 days for certain specified reasons. EQC has previously interpreted the provision liberally. In practice claims have generally been accepted for up to 3 months after an event. Before the Canterbury earthquake, steps were being taken to amend the Earthquake Commission Act to allow for longer periods to make a claim. Questions about the possible implications for EQC's reinsurance were raised. This matter will be addressed by management.

8. Communications

So far, the media have portrayed EQC's response to the event in a good light. The Chairman commented that infrastructural damage is currently the main focus and that by the time the media focuses more on EQC's responsibility, adequate numbers of EQC field workers will be on the ground.

EQC has been commended for its use of online linking via Facebook, Herald online etc.

9. People

The number of support staff needed on the ground in Canterbury was discussed. It was agreed that 900 staff should be adequate, as on average 30 staff are replaced every 3 weeks for a base staff of 400.

Gallagher Bassett Services' response to the event was commended.

The Chairman suggested that field staff will become the frontline face of the government's response to the event and should be briefed about, or given the information needed to respond to questions about, matters outside of EQC's mandate.

Management outlined a proposed "fast track" system for processing claims, based on the experience of the response to the Chilean earthquake. Board members commended the process for its speed and for the good will EQC is creating by trusting claimants. It was noted that there could be an increased risk of fraud, but that this will be mitigated by random audits.

The Chief Executive informed the Board of a proposal for all chimneys damaged by the event to be replaced with heat pumps and log burners.

The possible government response to uninsured home owners was discussed.

The "long haul" nature of this event will require pacing on the part of staff and managed stress levels. The Chief Financial Officer commented that currently overtime clauses in staff contracts are being reviewed to allow for consistency and fairness. It was noted that careful measures

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must be taken to ensure that staff are not overworked.

It was agreed that the Chairman send, on behalf of Commissioners, a letter of thank you to those who have come to EQC's aid post-event. e.g. Datacom, ACC, IBM. Ian will draft a list for the Board and draw particular attention to Reid Stiven. Denise suggested that the Board extend thanks to all Christchurch staff and stress within the letter their important role in being the face of EQC and broader government response.

10. Other Business

It was agreed that the Board participate in another GNS information session.

All the Board members noted that their Catastrophe Packs were not current and this must be rectified.

It was noted that EQC's pre-existing claims and "business as usual" responsibilities must not be neglected.

Next Meeting

Thursday, 14 October – 10 am Part 1: Investments
Part 2: Board Meeting

There being no further business the meeting closed at 12.00pm.

These minutes were approved by the Board as a true and correct record.

M C Wintringham

Date



**MINUTES OF A MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION
Held in the EQC Boardroom
Level 20, Majestic Centre, 100 Willis Street, Wellington
on Wednesday, 15 September 2010, at 2.00pm**

PRESENT: M C Wintringham (Chair)
K B Taylor (Deputy Chair) – Present via conference call
G A McLachlan – Present via conference call
D K Bovaird – Present via conference call

In Attendance: I Simpson (Chief Executive)
P R Jacques (Chief Financial Officer)
L R Dixon (Chief Operating Officer) – Present via conference call
9(2)(a) [redacted] (Minutes)
9(2)(a) [redacted] (Aon Benfield)

Apologies: L M Robertson

1. Present and Apologies 9(2)(a)

The Chairman welcomed [redacted] from Aon Benfield. An apology was received from Linda Robertson who was not able to attend. Keith Taylor, Giselle McLachlan, Denise Bovaird and Lance Dixon were in attendance via conference call.

2. Situation Update

The Chief Executive reported on the progress made with banks and insurance companies about EQC's settlement process, commenting that all parties now have an understanding of their roles above and below the cap with structural damage. Ian noted that insurers are concerned about becoming involved in "global solutions" which may result in higher costs than those on an individual claims basis.

It was reiterated that expectations of any role for the Earthquake Commission in reconstruction, that will oversee the reconstruction of Canterbury as opposed to claims payment, needs to be carefully defined, resourced, compliant with our Act and capability, and with the risks adequately addressed.

The Chairman commended the Chief Executive for his success in maintaining a good working relationship at the senior levels of Government.

The Chief Operating Officer confirmed that the settlement of claims for structural damage was ready to begin within the next week, but was being held up due to the absence of a resolution on the process for settlement. It was still unclear who would be receiving payment, the individuals, the banks or the insurance companies.

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In response to whether some contents claims could be settled in the interim to alleviate some of the financial stress on individuals, it was agreed that contents claims that could quickly be settled would be located and settled. (EQC has been focussing on structural damage in an effort to respond to those most severely affected.)

3 Review of Reinsurance

3.1 Legal Review (Giselle McLachlan)

9(2)(h)

The Board then discussed:

1. The likely response of reinsurers to accepting the cost of claims received after 30 days which did not meet the criteria specified in the Act.
2. The legal obligations of EQC – both to accepting “non-complying” claims lodged after 30 days if the claimant had relied on EQC information that stated a 90 day time limit; and to the ability to pay out such claims given the clear provision of the Act.
3. The definition of “lodging” or “receiving” a claim, and the implications for online claims and those received by the private insurers.

The Board agreed that:

1. Advertising would encourage claims to be lodged as soon as possible, thereby minimizing any areas of potential dispute with reinsurers.
2. 9(2)(a) (Aon Benfield) would canvass the understanding of reinsurers on the 30/90 day limit.
3. 9(2)(h)
4. Consideration will be given to requesting that this matter be sorted out by regulation.

3.2 Benfield presentation

Aon Benfield Review of Reinsurance

The Board was briefed by Aon Benfield.

9(2)(j)

Ian outlined the content for the First Note to reinsurers notifying them of EQC’s situation after the Canterbury Earthquake. Ian will circulate it to the Board for any editorial suggestions.

4 Finance

A preliminary discussion with Treasury regarding the future asset allocation of the fund and the transfer of funds from Government stock to Global Equities should be considered.

In response to whether the Demand Surge Study was ready to be presented to Government, the Chief Executive noted that comments currently coming from the Ministry of Economic Development suggest that they are confident, given the size and impact of this event, demand surge will not be a major problem and did not believe they would require the report.

4.1 Purchase of Additional Cover (Discussion)

9(2)(a) proposed that additional back up reinsurance cover was necessary to return EQC’s reinsurance protection to its pre-event position. A preliminary range of offers from reinsurers were discussed, with 9(2)(a) warning that, if another event occurs, cover of

9(2)(a)

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this nature will be near-impossible to obtain.

Aon Benfield will prepare by 16 September a formal list of reinsurance offers for the Board to review.

5 General Business

The Chief Financial Officer gave a brief overview of the current situation of the control environment within EQC. KPMG have been contracted to broaden the scope of their current internal audit function. An overlap will occur between accounts and the audit team. Phillip is expecting a Scope of Work outline from KPMG by the end of the week.

The Board requested the Catastrophe Response Packs be updated. 9(2)(a)

The Chief Executive informed the Board that [REDACTED] an occupational psychologist, has been asked to run stress management sessions with staff in Wellington and in Christchurch. A session will be available for the leadership team and anyone else who is likely to benefit.

9(2)(a) [REDACTED] has been enlisted to review EQC's management and control arrangements in light of the increase in staff from 22 to 600 plus.

The Board was notified of the amendment to the Ministerial direction and of the structure of EQC's financial holdings. As a result EQC can now hold a total of 2 billion dollars in cash, bank bills and term deposits.

6 Next Emergency Board Meeting

Wednesday 22 October – 10 am

There being no further business the meeting closed at 3.30pm.

These minutes were approved by the Board as a true and correct record.

M C Wintringham

Date



**MINUTES OF A MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION
held at 3-5 Deans Avenue, Christchurch
on Wednesday, 22 September 2010, at 11.00am**

PRESENT: M C Wintringham (Chair)
K B Taylor (Deputy Chair)
G A McLachlan
D K Bovaird

In Attendance: I Simpson (Chief Executive)
P R Jacques (Chief Financial Officer)
L R Dixon (Insurance Manager)
H A Cowan (Research Manager)
9(2)(a) [REDACTED] (Communications Adviser)
9(2)(a) [REDACTED] (Aon Benfield)

Apologies: L M Robertson

1. Conflicts of Interest

9(2)(a) [REDACTED]

2. Tonkin & Taylor Draft Report on Land Remediation

Tonkin & Taylor representatives presented their draft report on land remediation options.

3. Reinsurance

Proposal to restore reinsurance cover to pre-event levels

The Board considered the proposal to restore reinsurance cover to pre-event levels, and after some discussion:

1. approved in principle the reinstatement of EQC's reinsurance cover to the pre-Canterbury earthquake level;

2.

9(2)(j) [REDACTED]

3. agreed that AonBenfield should go to the market to seek firm quotes on EQC's behalf.

4. requested AonBenfield to seek Board approval before committing EQC to any option.

The Board adjourned for lunch and resumed the meeting at 1.05pm.

4. Canterbury Earthquake Update

The Chairman asked the Chief Executive to update the Board on recent events including discussions with senior ministers. The Chairman also pointed out that the degree of interaction EQC has had with cabinet committees is unusual and a privilege, and asked the meeting to be mindful that what goes on in cabinet is the prerogative of ministers and should not be discussed. Respect should also be given to government's legitimate wish to manage the communications about this event. The head of the Prime Minister's Department had asked the Chairman to keep in touch and had offered his assistance as required; he also commended Ian and his team for what they had achieved in pressured circumstances.

The Chairman has prepared a note, with a copy to Treasury, to EQC's Minister prior to a ministerial meeting on Tuesday giving assurances that EQC will be responsive to Government's priorities and identifying a number of risks which needed to be managed. The Minister has asked the Chairman to meet him tomorrow to discuss these and other matters. The Chief Executive has been asked to participate by teleconference from Christchurch.

The Board was given an update from members of management.

- Five field offices have been set up in the area and total staff number around 350. Claims as at midday were 68,000.
- With Lance Dixon's presence needed at various locations, Hugh Cowan has stepped in as EQC's senior presence in Christchurch liaising with organisations such as local authorities, IPENZ and Ministry of Social Development, participating in public meetings, and trying to get the local authority, Insurance Council and EQC messages aligned, particularly with regard to the time for lodgement of claims.
- Advertising has been constant in the press, radio and internet. It has been basically kept to urging claims lodgement and getting feedback from the community about what their concerns are and answering them. Press releases have been issued and FAQs on the website have been a success. There has been continuing liaison with the Minister's office and other ministers' offices and a daily brief has kept everyone well informed.
- A psychologist has been engaged for a workshop and sessions with staff as required on stress management.
- Tax issues in respect of non-resident adjusters are being addressed.
- Cashing up of investments has begun.
- A new organisational structure needs to be put in place to relieve work loads.

The Chief Executive listed the meetings that have taken place:

- An inaugural meeting with Hon G Brownlee, the insurers and local council;
- A meeting at MED to which insurers and banks were invited;
- A meeting in Christchurch with the Prime Minister and Hon G Brownlee at which the Tonkin & Taylor report was presented; (A copy was given to Mr Brownlee.)

- The same presentation, with Mr Brownlee's approval, was given to reinsurers to share information about damage (no conversation about preferred options);
- A meeting called by Hon G Brownlee, of the construction industry, to discuss a coordinated approach to rebuilding (from large construction companies down to local representative of Master Builders' Association) ;
- A meeting with Hon G Brownlee and the executive team from Fletcher Building who put their own proposal forward to project manage.
- A meeting of Ministers where Tonkin & Taylor gave a presentation – convened and chaired by Hon G Brownlee;
- Further meetings have been scheduled by Hon G Brownlee, the first of which took place this morning with three of the councils. A meeting with insurers is scheduled for tomorrow, and there will be meetings with the other councils around land and remedial action.

5. Reinstatement Project Management

EQC will pay the claimant for claims under \$10,000. However, it is estimated that approximately 50,000 properties have damage between \$10,000 and \$100,000. The establishment of a project management office to facilitate these repairs would produce a better likelihood of the work being done expeditiously and to a consistent standard.

The meeting discussed the benefits and risks of using a project management office to facilitate repairs estimated at between \$10,000 and \$100,000. It was agreed that if a project management office is established, it must operate in accordance with a mandate set down by EQC and that consideration will need to be given to its governance. It was agreed that claimants should be given the option of managing the repairs themselves and submitting costs when effected, the costs to be within a scope provided by EQC.

A preliminary tender document, based on a standard template, was distributed to Board members for discussion. It was agreed:

That the risks to EQC, Commissioners and the Crown, of EQC taking responsibility for these repairs needs to be identified and managed.

6. Lodging Claims

Concern was expressed about confusion about the time for lodging claims. The Act says 30 days and 90 days in certain specific circumstances. It was agreed:

That the Chairman will ask the Minister to change by regulation the time for lodging claims from 30 days to 90 days after the event. [REDACTED] is to notify reinsurers.

9(2)(a)

7. General Business

EQC management presence in Christchurch

A presence is needed in Christchurch to represent EQC management, and George Hooper, a former EQC Board member, has been appointed to fill that role. It is understood by all parties that George's role is not as a former Board member but as a representative of management. The appointment has been made by management with the agreement of the Chairman.

Delegation

Managing the Canterbury event has required extra equipment, furniture and fittings and the Chief Financial Officer pointed out that, in some instances, rental tended to be more costly than purchasing. It was resolved:

That approval be given for a total Capital Expenditure budget of \$1 million as part of the catastrophe response programme for the Canterbury earthquake, authorisations as follows:

Items up to \$100,000 – to be authorised by Chief Executive

Items over \$100,000 – to be authorised jointly by Chief Executive and a Board member.

Internal Audit

Audit Committee members would like to establish the cost of the implementation of the catastrophe response and to assess the financial and other risk. It was agreed that this should be addressed at the end of four weeks from the earthquake and then periodically thereafter.

Board numbers

Concern was expressed about the number of Board members in the post-earthquake environment. There were two particular risk – With the increased frequency of meetings at short notice, there was a risk of not being able to obtain a quorum. With the increasing scope of EQC's responsibilities, the governance task was increasing. The Chairman will discuss with Treasury augmentation of the Board.

Financial Statements

A note about a subsequent event will need to be inserted in the financial statements. This will be circulated to Board members for approval.

Minutes of Special Board Meetings

Minutes of all special meetings will be circulated to Board members.

There being no further business the meeting closed at 2.30pm.

These minutes were approved by the Board as a true and correct record.

M C Wintringham

Date



**MINUTES OF A MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION
Held in the EQC Boardroom
Level 20, Majestic Centre, 100 Willis Street, Wellington
on Tuesday, 5 October 2010, at 10.00am**

PRESENT: M C Wintringham (Chair)
K B Taylor (Deputy Chair)
G A McLachlan
D K Bovalrd

In Attendance: I Simpson (Chief Executive)
P R Jacques (Chief Financial Officer)
L R Dixon (Chief Operating Officer)

9(2)(a) [redacted] (Legal Adviser)
9(2)(a) [redacted] (Minutes)

Tonkin & Taylor: 9(2)(a) [redacted] 9(2)(a) [redacted] and 9(2)(a) [redacted]
Chapman Tripp: [redacted] 9(2)(a) [redacted]

Apologies: L M Robertson (Ms Robertson participated by telephone for the first 30 minutes of the meeting)

1. Conflicts of Interest

No conflicts of interest were declared.

2. Residential Land Issues

The Chairman opened the meeting by welcoming representatives from Tonkin & Taylor who would be presenting their draft report on Geotechnical Land Damage Assessment and Reinstatement following the Darfield Earthquake of 4 September 2010, and representatives from Chapman Tripp 9(2)(h) [redacted]

The Chairman informed the meeting that he, the Deputy Chairman and Chief Executive were meeting with senior Ministers later in the day to canvass the material being discussed at this Board meeting. In this regard the Board needed to gain some clarity on remediation and reinstatement options as well as EQC's legal obligations and constraints. There were expectations on EQC, and EQC was willing to play its part, but EQC and the Government needed to be aware of the risks and time constraints.

9(2)(a) [redacted] introduced Tonkin & Taylor's report and explained the different options.

Ms Robertson left the meeting at 10.36am.

9(2)(a) [redacted] then presented the recommended options for the different suburbs.

The meeting adjourned for lunch at 1pm and resumed at 1.20pm.

9(2)(h)

There was discussion around Options G and E of the Tonkin & Taylor draft report.

Option G meets EQC's statutory obligations:

- (a) Only the black land is at risk of not being able to be built on.
- (b) Only black land could potentially be considered a total loss.
- (c) If black land could be built on e.g. by use of engineered foundations (residential building cost borne by the building insurers), there is no total loss.

Option E – ground buttressing: The Tonkin & Taylor buttressing proposal is understood to be likely to remove the requirement for separate engineered foundation designs and provide substantial additional protection for the houses classified as red and black in the event of a future earthquake similar in scale to the 4 September earthquake:

- (a) In this case the cost of the earthquake protection shifts from an individual building cost (met by rebuilding insurers) to a cost associated with the land.

(b) 9(2)(h)

- (c) If all the houses categorised as black could be treated as constructive losses by EQC the aggregate land value for each suburb from these properties would only be enough to carry out the ground buttressing work in that suburb.
- (d) Tonkin & Taylor have identified several wider community benefits of the buttressing work.

(e) 9(2)(h)

If the Crown's preference is to achieve option E, but the Board decided to adopt option G, the Board may still be able to support the Crown's preference. This could be achieved by:

- (a) EQC administering the work for the Crown on the basis that the Crown would fund the work (in which case EQC should secure a direction to extend its functions under section 5 of its Act accordingly);
- (b) the Crown effectively requiring EQC to fund the work by requiring EQC to pay an appropriate dividend to the Crown sufficient to cover the cost of the work;
- (c) acceding to a Crown desire for EQC to adopt the wider interpretation of its settlement obligations under the Act on the basis that EQC would then try to recover the cost from its reinsurance, with the Crown accepting the funding risk if the reinsurers will not ultimately pay.

Following a full discussion it was acknowledged that although a large percentage of the assessment presented in Tonkin & Taylor's report is complete, it is still a work in progress and needs some refining. However, it was considered that the assessments presented were enough for government and local authorities to make some decisions.

Government will need to decide on its approach and discuss the options with local authorities. It would be easier for EQC if it were to receive a clear direction from Government to remediate the land to a level higher than pre-earthquake.

Once Government has decided on its approach, discussions could commence between Hon Gerry Brownlee and local government.

While EQC has no mandate to pay out on properties that are uninsured or are not subject to EQC cover, some of these may be advantaged if a pooling solution is adopted.

Whatever option is adopted, it was noted that with the extensiveness and engineering complexity of remediation, and bearing in mind time and engineering skills and machinery which are in short supply, EQC should be realistic in managing government and public expectations.

The Board will meet for further discussions on Friday, 8 October 2010.

3. Peer Review

It was acknowledged that the peer review on Tonkin & Taylor's preliminary report to EQC was supportive. Although some technical matters were raised relating to some of the high end options suggested, these are now irrelevant as these options have now been withdrawn from the report.

It was noted that the Chairman, Deputy Chairman and Chief Executive were due to meet with Ministers of the Crown at 6pm in the Minister's office.

The external advisers left the meeting at 4.05pm.

Board members agreed that the engineering and legal advice received had been extremely well thought through and gave EQC a good understanding of the situation and its position. Tonkin & Taylor will be requested to map out a decision path and a resourcing path.

It was pointed out that temporary accommodation is a real issue for displaced homeowners. There will be a limit on what private insurers are prepared to pay and few homeowners could afford to continue mortgage repayments as well as rent. It was suggested that it would be less stressful, especially if remediation is drawn out, if displaced homeowners could be assured that their temporary relocation costs would be paid by private insurers or by the Government.

4. Reinstatement Project Management RFP Update

The Chief Executive advised that five proposals had been received, four of which were promising.

The evaluation panel is comprised of -- Hugh Cowan, EQC (Chair of evaluation panel); [redacted] 9(2)(a) [redacted] -- Chief Advisor, Ministry of Economic Development; 9(2)(a) [redacted] -- Independent Technical Consultant; 9(2)(a) [redacted] -- Procurement Consultant; and 9(2)(a) [redacted] -- Senior Advisor, Ministry of Economic Development. [redacted] 9(2)(a) [redacted] -- Partner, Chapman Tripp [redacted] 9(2)(a) [redacted] from Chapman Tripp has been engaged to give advice to the panel. Instead of creating a short list, it may be decided to have the parties work in the field and use their performance as an evaluation. If this occurs, clear directives will be put in place.

5. Canterbury Earthquake Claims

The Chief Executive advised that 87,000 claims have been received and about 1,000 are still being received daily. \$17m was paid out at the beginning of the week. Three GBS personnel are at EQC observing and learning the procedures.

6. PMO Governance

9(2)(a) [redacted] was due to meet with the Chief Executive and Chairman today. His background and expertise are relevant. There is a conflict of interest which the Chief Executive is actively managing.

7. Informal Risk Audit

Denise Bovaird and Giselle McLachlan, as part of the Audit Committee, will discuss financial control matters with the CFO when they are in the office on Friday.

8. Commissioner Training

Giselle McLachlan and Denise Bovaird requested some training on EQC practices and expectations of Auckland Commissioners in the event of a Wellington based earthquake. This will be arranged.

9. General Business

The Chairman advised that he has a meeting with Treasury on Wednesday, 6 October, to discuss augmentation of the Board. He will also provide an update to Treasury on the demands the recent Canterbury earthquake has placed on existing Commissioners.

There being no further business, the meeting concluded at 4.30pm.

These minutes were approved by the Board as a true and correct record.

M C Wintringham

Date



**MINUTES OF A MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION
Held in the EQC Boardroom
Level 20, Majestic Centre, 100 Willis Street, Wellington
on Friday, 8 October 2010, at 10.00am**

PRESENT: M C Wintringham (Chair)
K B Taylor (Deputy Chair)
G A McLachlan
D K Bovaird
L M Robertson

In Attendance: I Simpson (Chief Executive)
P R Jacques (Chief Financial Officer)
9(2)(a) (Legal Adviser)
9(2)(a) (Minutes)

The meeting was a continuation of the meeting held on Tuesday, 5 October, with the same agenda. At the 5 October meeting the Board had considered Tonkin & Taylor's report on Geotechnical Land Damage Assessment and Reinstatement following the Darfield Earthquake of 4 September. In attendance at Tuesday's meeting had been representatives from Tonkin & Taylor to present the report, and representatives from Chapman Tripp [REDACTED]

9(2)(b)

The Chairman advised that an update would be provided to the Board on a meeting with Ministers after the 5 October meeting to consider the Tonkin & Taylor report, expectations of EQC, and the requirement to provide a report to help the Government come to a decision on the scope of land remediation in Canterbury.

1. Remediation Project Management Office (PMO) RFP

The recommendation of the Evaluation Panel through the Chief Executive to short-list two of the proposals received had been emailed to Board members for approval. Given that there was no budget provision for the PMO (a prerequisite for delegations of financial authority to management), the urgency of the establishment of the PMO, and the expenditure and risks involved, the Chairman and Deputy Chairman formed a committee of the Board and called a meeting with representatives of the Evaluation Panel to satisfy themselves about the process followed. (The Deputy Chairman's notes will be written up and filed.)

The Deputy Chairman then contacted other Board members to assure them of the quality of the process. The Board agreed to short-list the two recommended proposals.

Hugh Cowan 9(2)(a) (MED), an 9(2)(a) (independent technical consultant), members of the Evaluation Panel, joined the meeting to explain the scope of the project and the process of selection. In terms of scale, the reinstatement project is for the repair of 50,000 homes at an

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estimated cost of \$25,000 each over a period of 6-24 months. The aim is to have most of the homes habitable by winter of next year, and the others to be completed within two years.

The two parties short-listed - Fletchers and a [9(2)(h)(ii)] alliance – were ranked well above the other contenders. Meetings with the two parties over the next few days are expected to provide a better understanding of each team’s attributes and what is included in their fee structures. By Tuesday opinion will have been received from two independent engineering firms about the plausibility of cost information, and further analysis will then be done. A recommendation will be made on Thursday, 14 October, and subject to approval it is proposed to engage the preferred party by letter of intent by Friday, 15th, to allow work to begin immediately while a formal contract is prepared. [REDACTED]

9(2)(h)

It was noted that both short-list parties have given an indication that should they be successful they are likely to approach the other to invite some form of collaboration/participation.

It was also noted that a sensitive approach will be adopted regarding the recruitment of labour – with consideration being given to contractors in the South Island first, then the North Island, before recruiting overseas people. This would be both cost-effective, and meet concerns that local contractors should participate fully in the rebuild.

The Board resolved that:

1. The panel should recommend the preferred supplier to the Chief Executive for his approval;
2. When approved, the Chief Executive should inform the Board, in writing, of his decision, together with assurances on:
 - a. The integrity of the evaluation process;
 - b. The principles on which the contract with the successful supplier will be based, the quality of the contract and any risks arising from the contract;
 - c. The adequacy of financial authority under the Crown Entities Act (or other statutes or requirements) for the approval of the contract.

The representatives of the Evaluation Panel were thanked for their attendance and left the meeting.

2. Recommendation to Government on Land Remediation

The Chairman, Deputy Chairman and Chief Executive had a meeting with Ministers, chaired by Hon G Brownlee, on Tuesday evening.

There is some urgency for the Government to make an announcement regarding land remediation and EQC has been asked to report on the Tonkin & Taylor report and remediation options, to its Minister and the Minister of Earthquake Recovery for consideration by Cabinet on Monday, 11 October.

The Board received and considered:

- a further draft of the Tonkin and Taylor Report;
- [9(2)(h)] [REDACTED]

It was resolved:

1. That in circumstances where the insured residential land can be reinstated for less than the insured value of the residential land under the Act, then EQC will settle those claims by reinstating the residential land in accordance with its option to

2. That reinstatement will require co-ordination of that work:
 - a) across properties;
 - b) with various owners of residential, commercial and publically owned properties or other assets as well as local authorities;
 - c) with EQC funded residential building repairs.

It was noted that the Government may require remediation to a higher standard than that anticipated by the Earthquake Commission Act.

The Board delegated the completion of the paper to the Ministers to the Chairman and Deputy Chairman.

The Chairman left the meeting to progress the report. The Deputy Chairman assumed the Chair.

3. PMO Governance Update

The appointment of a person to oversee the overall project management is still being considered. The Chief Executive has spoken to [9(2)(a)] who has the necessary expertise and appreciation of the governance structure required but, [9(2)(a)], may have a conflict of interest.

4. Reinsurance Reinstatement

Following a decision of the Board, in relation to the reinstatement of EQC's reinsurance, at the special meeting held in Christchurch on 22 September 2010, it was resolved by email that:

1. EQC accept the [9(2)(i)] offer to reinstate the [9(2)(i)] excess of \$1.5 billion, at a rate on line of [9(2)(i)] to give a flat premium of [9(2)(i)] inclusive of [9(2)(i)] brokerage and [9(2)(i)] tax. There is no reinstatement and all other conditions as per the current contract. [9(2)(i)] have undertaken to fill [9(2)(i)] of the layer i.e. [9(2)(i)]
2. EQC instruct AonBenfield to fill the balance of the layer by subscription, on the [9(2)(i)] terms, from among the current participants in the bottom layer.
3. [9(2)(i)]

Confirmation from Aon Benfield is awaited.

5. Deed of Indemnity and Insurance

[9(2)(h)] When the reviews have been completed, a report will be submitted to the Board. (The indemnities will be retrospective.)

It was suggested that a section on directors' indemnities and insurances be included in the Commissioners' induction pack.

It was agreed that indemnity for management should also be considered.

6. General Business

14 October Board Meeting

Giselle McLachlan will participate in the Board meeting on Thursday, 14 October, by telephone.

Audit

The CFO will provide material to the Audit Committee members which will be discussed by teleconference next week.

Previous Minutes

Minutes of the previous meetings are to be circulated prior to the 14 October meeting.

There being no further business, the meeting concluded at 2.45pm

These minutes were approved by the Board as a true and correct record.

M C Wintringham

Date



**MINUTES OF A MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION
Held in the EQC Boardroom
Level 20, Majestic Centre, 100 Willis Street, Wellington
on Thursday, 14 October 2010, at 9.00am**

PRESENT: M C Wintringham (Chair)
K B Taylor (Deputy Chair)
G A McLachlan
L M Robertson
D K Bovaird

In Attendance: I Simpson (Chief Executive)
P R Jacques (Chief Financial Officer)
9(2)(a) [REDACTED] (Minutes)

1. The Chairman listed additional items for the agenda:
 1. Minutes for previous meetings
 2. PMO Update
 3. Report from informal meeting of ARCC
 4. Update on decisions of Monday's Cabinet on land remediation when our note and that of other parties were considered.
 5. Delegation for approval of claims
 6. Board membership/fees
 7. Board meeting dates for the rest of year.

2. Conflicts of Interest

Board members confirmed that there were no agenda items with which they had conflicts of interest.

3. Reinstatement Project Management

9(2)(h) [REDACTED]

Further to the Board's resolution and instructions to the Chief Executive at its meeting of Friday, 8 October 2010, the Board resolved that:

1. Pursuant to section 73(1)(b) of the Crown Entities Act, to delegate the following functions and powers to the Chief Executive, subject to the terms set out in resolutions 2 and 3 below:
 - a. the approval of the preferred supplier of the PMO services;
 - b. the approval of the entry into and execution of a MoU by EQC with the preferred supplier;
 - c. the approval of any expenditure to be incurred under the MoU (in addition to and without limiting the financial delegations permitted under the Board's current financial policy); and
 - d. the seeking of all necessary consents and Ministerial approvals required for the

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suppliers of PMO services to perform the functions proposed for the PMO (including entering into contracts on EQC's behalf within parameters agreed with the Chief Executive or Chief Operating Officer (or any person or persons approved by the two of them) from time to time and managing contractors and suppliers to EQC in relation to Canterbury earthquake works) under the MoU and any subsequent PMO contract.

2. That the evaluation panel should recommend the preferred supplier to the Chief Executive for his approval.
3. That when the preferred supplier is approved by the Chief Executive and the MoU has been entered into, the Chief Executive should inform the Board, in writing, of his decision, together with assurances on:
 - a. The integrity of the evaluation process;
 - b. The principles on which the final PMO contract with the successful supplier will be based, the quality of the final PMO contract and any risks arising from the final PMO contract;
 - c. The adequacy of authority under the Crown Entities Act and the Earthquake Commission Act 1993 (or other statutes or requirements) for the approval and performance of the MoU.

A noting paper covering the Chief Executive's recommendation to award the PMO contract had been emailed to Board members. Members of the Evaluation Panel (Hugh Cowan, 9(2)(a) and 9(2)(a), and legal counsel 9(2)(a) joined the meeting to answer any questions arising.

In discussion it was confirmed that:

- The MOU can be signed while the contract is negotiated so that work can be started as soon as possible.
- A press statement is to be released before the end of the week following a briefing to Ministers.
- Fletchers have agreed to the standards of care and accountability set out by EQC.
- Fletcher Building are providing parent guarantee.
- The timing of the work will be aligned to the claims management process.
- Auditors will be engaged to undertake probity assessment of the selection and approval process.

The Board noted the intention to enter into a Memorandum of Understanding with Fletcher Construction and, following consideration of the assurances provided on the matters requested in the resolution, agreed that the process being followed was appropriate to support the decision of the Chief Executive.

It was agreed that risk - covering the reinstatement project management and land remediation- should be discussed by the Board at a future meeting, for which a flow chart showing liabilities and responsibilities could be produced.

9(2)(h)

Management was asked to ensure that the financial statements set out clearly costs attributable to the Canterbury earthquake and recoverable from reinsurance. Transparency is essential and important for future relationships with reinsurers.

4. Minutes of Previous Meetings

Minutes of Meeting of 19 August

The minutes of the Board meeting of 19 August were confirmed.

Matters arising from minutes of meeting of 19 August

The meeting had been advised of potential conflicts of interest for Keith Taylor and Linda Robertson arising from a response from Catalyst Risk Management to EQC's Register of Interest for claims management services. The Chief Executive advised that Catalyst had since withdrawn from the process.

Due to the volume of work created by the Canterbury earthquake, the major upgrade to the claims management system has been suspended until further notice. The Board was advised that the system has handled the claims from the Canterbury event satisfactorily and that IBM had provided quality support over this period.

Minutes of Board Meeting of 8 September 2010

Subject to minor amendments, the minutes of the Board meeting of 8 September were confirmed. It was agreed that the increases to financial delegations for the Canterbury earthquake, decided at the meeting, should be attached to the minutes of 8 September.

Matters arising from minutes of 8 September

The Chief Executive advised that the Commissioners' catastrophe response packs would be updated as soon as possible.

It has been noted that the Board would like to participate in another GNS information session and this will be arranged when practicable.

It is intended to create a record of problems faced and lessons learnt from the Canterbury earthquake, and a person will be appointed to interview relevant people and document relevant information.

Minutes of Board Meeting of 15 September 2010

The minutes of the Board meeting of 19 August were confirmed.

Matters arising from minutes of 15 September

9(2)(a) [REDACTED] had been enlisted to review EQC's management and control arrangements in light of the increase in staff from 22 to 600 plus. A new organisational chart has been created.

It was agreed that EQC's structure and resources should be placed on the agenda for discussion at the next meeting.

Minutes of Board Meeting of 22 September 2010

Subject to minor amendments, the minutes of the Board meeting of 22 September were confirmed.

Matters arising from minutes of 22 September

The proposed change by regulation from 30 days to 90 days for lodging claims has been raised in conversation with reinsurers and there has been no negative response.

Minutes of Board Meeting of 5 and 8 October 2010

The minutes of the Board meetings of 5 and 8 October were confirmed.

5. Update on Land Remediation

The letter to Ministers Brownlee and English on land remediation options and EQC's role, discussed by the Board at its meeting on Friday, 8 October, was considered at a cabinet meeting on Monday, 11 October, together with a paper prepared by DPMC in collaboration with DBH. The final version of EQC's letter will be circulated to Board members.

It is understood that a meeting will be held next week with MED, DPMC, Land Transport and Treasury to discuss who should lead the remediation work. The Board's preference is for a joint venture with each party being represented on a governance board.

It was agreed that the EQC role in such a joint venture needed to be sufficient to ensure that the cost

of remediation of land to Option G was carried to an acceptable standard to meet EQC's obligation and accounted for separately, and at a fair price. Where land was remediated to a higher standard, the difference between remediation to the higher standard and Option G would need to be accounted for separately. This would both minimise cost shifting and give confidence to our reinsurers.

Hon G Brownlee has said publicly that EQC will be communicating with owners of the most damaged property this week, and EQC is working with Ministers' offices on a communications plan. The Chief Executive will be meeting with Mr Brownlee and Tonkin & Taylor in Christchurch tomorrow to discuss Level 4 remediation, following which there will be a press release. Tonkin & Taylor, in liaison with EQC, are working on a shortened version of their report for public release.

MSD have been commissioned to contact property owners individually to advise them of the remedial course to be taken on their property, and to invite them to attend a meeting for further information.

The Chairman thanked Board members for their contribution over the past week.

6. JRA Best Workplaces Survey 2010

The results of the JRA Best Workplaces Survey for 2010 were acknowledged. Board members were pleased to see that EQC had been in the top quartile.

The Chief Executive advised that arrangements have been made for the Hay Group to interview all permanent employees on the nature of their roles, how these have been affected by the Canterbury event, and appropriate levels of remuneration. Human relations advice within a legal framework will be sought to assist with implementation.

7. EQC Functions

It was agreed that arrangements for the EQC Guy Fawkes function should proceed, as a low-key family oriented event, with a guest list largely in recognition of those who have assisted EQC with the Canterbury response.

It was agreed that a similar function should also be planned for our Canterbury based people.

8. Board membership and Board fees

The Chairman advised that Treasury is proceeding with identifying two more Board members, and consideration is being given to Board fees.

The Chief Financial Officer joined the meeting.

9. Financial Reports

The financial reports to August 2010 were received.

The Board is seeking a reforecasting of the budget to reflect the Canterbury event and reporting against the Canterbury event and "business as usual". The CFO will liaise with Ms Bovaird to ascertain what information the Board requires, and as the financial information system has the ability to sub-partition data and report on different sets of costs, it should not take long to provide the data required.

It was confirmed that the KPMG report will provide assurances on the accounting processes.

10. Delegations and Authorisations

9(2)(a) [REDACTED], a former EQC Claims Manager who is now a contracted loss adjuster, has taken on the role of Catastrophe Claims Manager to assist the claims management team. [REDACTED] cannot operate under the existing staff delegations because, as a contracted loss adjuster, he operates as a limited company. Management asked if the Chairman could be delegated to set an authorisation level for a "Contracted loss adjuster acting as a Catastrophe Claims Manager".

It was resolved:

1. That the persons appointed to the position of Catastrophe Claims Manager under clause 7(5) of Schedule 3 of the Earthquake Commission Act are delegated the power to settle claims to an authorisation limit to be assigned to the position;
2. That following discussion with the Chief Executive, the Chairman should approve the appropriate authorisation limit; 9(2)(a)
3. That the appointment of [REDACTED] contracted loss adjuster, to act as Catastrophe Claims Manager under clause 7(5) of Schedule 3 of the Act is noted;
4. That the authorisation limit approved by the Chairman for the position of Catastrophe Claims Manager will apply to 9(2)(a) [REDACTED] in the role of Catastrophe Claims Manager;
5. That the delegation to the authorisation limit is subject to confirmation that it is consistent with section 73 of the Crown Entities Act, and the Ministerial consent to delegations obtained on 28 March 2008;
6. That the Chairman report back to the Board with his decision on the authorisation limit.

It was agreed that this should be included in the Catastrophe Response Plan authorisations for future use.

11. Investment Report to August 2010

The Investment Report to 31 August was received.

The CFO advised that the cash proceeds from the termination of the Alliance Bernstein growth and value products had been deposited into New Zealand bank accounts and securities.

12. Canterbury Earthquake – Cash Funding Process

The Board noted management's current intention regarding the cash funding process.

It was agreed that there is an argument for maintaining a high proportion of global equities in passive investments rather than active as a way of reducing the short term risk of active positions when it was likely stock needed to be liquidated.

Management was asked to submit a revised cash funding proposal for consideration at the next Board meeting. It was noted that using government stock coupons for claims payments would allow a corresponding proportion of global equities to be maintained.

It was agreed it would be useful to engage with Treasury on these matters, including the potential for redemption of non-tradeable government stock to pay claims.

It was suggested that some of the cash may be able to be deposited in the Reserve Bank. The CFO will make enquiries.

13. SIPSP

In August 2009 the Investment Committee agreed to amend the SIPSP to incorporate EQC's

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viewpoint on the "active versus passive" debate within equity management. However, because of Treasury's views on the utility of actively managed equities in EQC's portfolio, it was decided not to submit the amended SIPSP to Treasury until further discussion with them.

The CFO advised that in recognition of the Canterbury earthquake, the Rebalancing process in the SIPSP needed amendment.

It was resolved:

1. That the Rebalancing process be amended as follows:

"Rebalancing will be undertaken when eligible asset class weights move outside their accepted range based on monthly valuations. Rebalancing can be suspended by the Board for up to three months when the CRP is activated in the event of a major natural disaster requiring liquidation and redemption of investments. In that case decisions on sell-down of investments and currency risk management will be made in consultation with the Treasury. Any suspension of rebalancing will be reviewed by the Board prior to the end of the suspension period.

"Except when the exception above applies, asset classes will be rebalanced to halfway between the:

- policy allocation, and
- the extreme of the range beyond which the weight had moved."

2. That in submitting the SIPSP amending the Rebalancing process to Treasury, EQC advises Treasury that the amendment incorporating EQC's viewpoint on the "active versus passive" debate within equity management be held for subsequent review.

It was suggested that it would be useful to get an economic viewpoint on demand surge and foreign exchange rate impact of the Canterbury earthquake at a future meeting.

14. CEM Investment Benchmark Survey for 2009

The Board noted the results of the CEM Investment Benchmark Survey for 2009.

15. CFIs' Responsible Investment Agreement

The Board noted management's conclusion regarding the annual assessment of the CFIs' Responsible Investment Agreement with the RI Unit of the New Zealand Superannuation Fund.

16. Earthquake Commission Amendment Regulations 2010

The regulation extending the reporting of claims from 30 days to three months was noted.

17. Audit & Risk

Notes from informal discussions of the Audit, Risk and Compliance Committee (ARCC) were tabled, and the Chairman thanked the Committee for the time and thought given.

The Committee Chair explained that management had been in the process of getting advice to develop a risk management framework but pressure of work from the Canterbury earthquake had precluded this. The Committee's notes identified areas of risk that needed addressing and could be used as a framework until an alternative was formalised.

It was agreed that a workshop be held within the Committee meeting on 28 October for discussion on the following:

1. Control environment
2. Response to ARCC notes – recommendations and priorities
3. Report from KPMG – oral report acceptable as written report not due until 29 October.

18. Directors' Indemnity

9(2)(h)



19. General Business

S&P Rating

S&P's AAA rating of EQC was noted. Rating certification has been a requirement of the Insurance Companies (Ratings and Inspection) Act under which EQC has been subject. This Act will be repealed in 18 months by the Insurance (Prudential Supervision) Act, which acknowledges that EQC does not provide insurance and therefore does not require a rating. This means that EQC will be required to continue being rated until the Insurance Companies (Ratings and Inspection) Act is repealed. This has not been budgeted.

20. Next Board Meeting

It was agreed that the Board should meet fortnightly until December, and schedule a telephone conference on the alternate weeks. A schedule of dates will be agreed by email.

There being no further business, the meeting concluded at 12.45pm

These minutes were approved by the Board as a true and correct record.

M C Wintringham

Date



**MINUTES OF A MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION
Held in the EQC Boardroom
Level 20, Majestic Centre, 100 Willis Street, Wellington
on Thursday, 28 October 2010, at 1.30pm**

PRESENT: MC Wintringham (Chair)
K B Taylor (Deputy Chair)
G A McLachlan
D K Bovaird
L M Robertson

In Attendance: I Simpson (Chief Executive)
P R Jacques (Chief Financial Officer)
9(2)(a) [REDACTED] (Minutes)

1. Conflicts of Interest

Board members confirmed that there were no agenda items with which they had conflicts of interest.
Linda Robertson asked that her recent appointment to Chair of Energy for Industry be added to the Interests Register.

2. Minutes of Board Meeting of 14 October 2010

Item 4 - Minutes of Board Meeting of 15 September 2010

It is noted that the minutes of the Board meeting of "19 August" were confirmed. The date of the meeting should be amended to "15 September".

Item 10 - Delegations - Authorisation for Catastrophe Claims Manager

9(2)(h) [REDACTED]

Item 13 - SIPSP

The resolution amends the Rebalancing process in the SIPSP but does not include the subsequent approval by the Board to suspend rebalancing for three months because of the Canterbury earthquake. It was agreed that an additional clause be added to the resolution as follows:

- 3. That, in terms of the amended wording of the SIPSP, rebalancing be suspended for three months in consideration of the Canterbury earthquake.**

Subject to the above amendments, the minutes of the Board meeting of 14 October were confirmed.

3. Matters arising from Minutes of Board Meeting of 14 October 2010

ARC Committee meeting

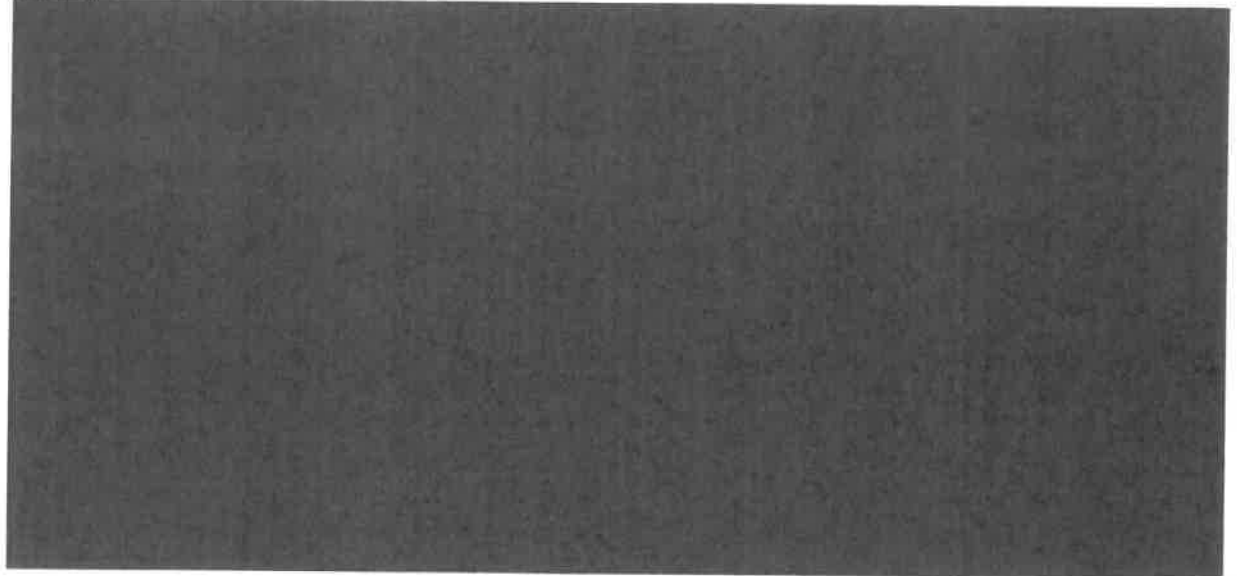
A full report will be submitted to the next Board meeting.

Directors' Indemnity

This matter is under action.

9(2)(h)

4.



5. **Canterbury Earthquake Response**

The Chairman and Chief Executive briefed the Board on events since the Board last met.

The Chief Executive is to meet with DPMC and [redacted] next week to develop EQC's component of an overall Government timeline and project plan for the Canterbury recovery.

It was suggested that it would be a useful communication aid to develop a diagram showing the extent of EQC's responsibilities.

The executed Memorandum of Understanding with Fletchers, [redacted] was tabled.

The Ministerial approval and conditions of EQC's delegation to Fletcher Construction Company was tabled.

6. **EQC Structure and Resourcing**

Using the organisational chart as a guide, the Chief Executive gave an outline of the proposed organisational structure and additional staffing required to handle the Canterbury event.

Board members offered suggestions and agreed that, in proceeding with appointments to the new structure (including modification of existing roles), legal advice should be obtained to ensure people are treated fairly and to reduce the possibility of any problems at a later date.

7. **General Business**

Investment Authorities

The Chief Executive tabled a memo from the CFO in which it was explained that the CFO had, without realising it, exceeded his authority in approving two transactions redeeming units held in the Passive Global Equities account. The CFO's authority is up to NZ\$50million and the transactions were for US\$50million. The transactions have been countersigned subsequently by the Chief Executive. The CFO has since changed his checking procedures to avoid the recurrence of errors of this type. The situation was noted by the Board.

Overseas Travel of Executive Staff

Following an enquiry from the Minister regarding the overseas travel of the Chief Operating Officer and the Research Manager during a catastrophe response event, the Chief Executive explained the business purpose of the travel, which had also been conveyed to the Minister by the Chairman.

Leave for Chief Executive

The Chairman advised that the Chief Executive would be taking a week's leave in the week commencing 8 November. During this time, the Chairman and Deputy Chairman will be on hand to deal with any matters which might otherwise fall to the CEO, and it was resolved:

That in the absence of the Chief Executive during the week commencing 7 November, the delegation of authority to the CEO be temporarily assigned to the Deputy Chairman.

Denise Bovaird and the Chief Executive were excused from the meeting at 4pm so that they could catch their respective flights out of Wellington.

The Chief Financial Officer joined the meeting.

8. Financial Reports

Revised Cash Funding Process

Following discussion at the 14 October Board meeting, a revised cash funding process to deal with the Canterbury earthquake was submitted and noted. The CFO summarised the paper and it is now estimated that, after claims payments have been made, approximately \$578.5m will remain invested in global equities. Management has engaged with Treasury about using government stock coupons for claims payments and Treasury have not raised any objections. It was agreed that a discussion on cashing bonds should be put on the agenda for the February 2011 meeting.

Half Year Fiscal Update and 5 Year Plan

The paper on the above was noted by the Board.

Chairman's note on delegation to [REDACTED] 9(2)(a)

The Chairman's memo on his consideration and subsequent approval of the delegation to a contracted loss adjuster acting as Catastrophe Claims Manager, as delegated to him by the Board at the previous meeting, was noted.

9. Next Board Meeting

Wednesday, 10 November 2010.

(A conference call for an update of events - Thursday, 4 November - 4pm - Apologies - Linda Robertson)

There being no further business, the meeting concluded at 4.25pm

These minutes were approved by the Board as a true and correct record.

M C Wintringham

Date



**MINUTES OF A MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION
Held in the EQC Boardroom
Level 20, Majestic Centre, 100 Willis Street, Wellington
on Monday, 15 November 2010, at 1.15pm**

PRESENT: M C Wintringham (Chair)
K B Taylor (Deputy Chair)
G A McLachlan
L M Robertson
D K Bovaird

In Attendance: I Simpson (Chief Executive)
P R Jacques (Chief Financial Officer)
9(2)(a) [redacted] (Minutes)

1. The Chairman noted that Denise Bovaird had been delayed.

2. **Conflicts of Interest**

Board members confirmed that there were no agenda items with which they had conflicts of interest.

9(2)(a) [redacted]

3. **Minutes of Board Meeting of 28 October 2010**

The minutes of the Board meeting of 28 October 2010 were confirmed.

4. **Matters arising from Minutes of Board Meeting of 28 October 2010**

Canterbury Earthquake

A diagram showing the extent of EQC's responsibilities has not yet been developed.

It was agreed that the Tonkin & Taylor Stage 2 report was not yet suitable for public release. This is addressed in Item 13.

EQC Structure and Resourcing

A paper on the proposed structure and resourcing of EQC following the Canterbury earthquake will be submitted to the 2 December Board meeting. It was noted that Gail Kettle, an experienced claims manager seconded from ACC, had taken over responsibility for all the claims functions outside of Christchurch.

Directors' Indemnity

A letter from Simpson Grierson should be received by Commissioners soon. Attempts will be made to finalise the Deeds of Indemnity for Commissioners by the end of November.

Board Meeting

It was noted that the Board meeting scheduled for 10 November had been replaced by a telephone conference call to update Commissioners on events. The Board meeting was deferred until 15 November.

5. Delegation to Fletchers

It was confirmed that the delegation to Fletchers for the performance of the Project Management Office role had been unanimously approved by Commissioners by email on 4 and 5 November.

The Chief Financial Officer joined the meeting.

6. Financial Reports

Addressing the financial reports to September, the CFO noted that \$1.5bn had been provided for the Canterbury earthquake. GeoNet operating costs appear to be over budget and this is because the budget spreads the anticipated annual cost evenly; however, this will balance out by year end.

Referring to a draft analysis of costs for the Canterbury earthquake, the CFO advised that although not all invoices for October had been received, the costs to date amounted to \$10.5 million.

Payment to loss adjusting contractors has been taking longer than anticipated, mainly because of the time spent verifying and correcting invoices, and Accounts staff have been working long hours to address the problems. Board members agreed that as long as payments were made within 20 days, which is consistent with the Construction Contracts Act, there was no reputational risk to EQC. The CFO advised that modifications to the process are being considered and KPMG have been asked for advice in this regard.

Fortnightly meetings are being held with KPMG on the progress of their audit and it is expected that a report will be submitted to the 2 December ARCC meeting.

Reinsurance recoveries are not yet recognised, but it is intended to code these separately.

The CFO undertook to circulate to Commissioners a draft of the cost analysis for Canterbury.

7. Investment Report to September 2010

The Investment report to September was received and it was noted that global equity markets had performed well. Referring to October, the CFO advised that while EQC's active global equities had outperformed the market, generally the month had not been good for most of the investment classes.

The proceeds from the termination of the AllianceBernstein value and growth managers have brought the cash figure to \$695 million, which should be sufficient to meet claims until early in the new year. Discussions with Treasury on the way forward have been positive to date. Treasury has made the assumption in the Crown's budget that EQC will use all its Government Stock coupons and redeem its 11 November bonds to pay claims.

8. Harassment Complaint

A complaint of harassment has been made by a member of permanent staff against one of EQC's contractors. Management undertook to deal with the matter fairly and firmly and was assured of the Board's support. This reinforces the need to get policies for standards of behaviour disseminated to contractors of EQC as well as to staff.

9. Chief Executive's Report

The Chief Executive advised that while claims are being settled at a healthy pace, the process is being streamlined by the new Claims Manager seconded from ACC. It is estimated that 125,000 claims will be received for the event and that the Fast Track claims will be settled by Christmas. The Board asked that a paper on how the targets will be met be submitted to the 2 December Board meeting.

Actuaries, Melville Jessup Weaver, have been asked to propose a robust approach for estimating gross claims to provide to the reinsurers before the end of November. The actuaries have also been asked to provide a process for estimating the outstanding claims liability for the end of year accounts.

The CFO pointed out that with the number of assets EQC has procured in managing the Christchurch event, thought will need to be given to a significant asset disposal programme some time in the future. It was suggested that a process for the disposal of salvaged goods (say, between \$4,000 and \$20,000) should also be considered.

It was agreed that more communications resources were needed. Discussions are taking place with two people for a broader, strategic, communications role, but consideration still needs to be given to supporting Ministerial communications and to a communications resource in Christchurch.

It was also pointed out that the tenure of the legal secondment from Chapman Tripp [REDACTED] is due to expire in a month and thought should be given to extension or an alternative resource.

It was agreed that an HR team needs to be in place as soon as possible.

9(2)(a)

Denise Bovaird joined the meeting during discussion on the Chief Executive's report.

The CFO left the meeting.

10. Complaints Management and Dispute Resolution

The establishment of complaints management and disputes resolution systems was discussed, [REDACTED] 9(2)(h) The Board is looking for rigour in the systems selected and management was asked to investigate and submit a recommendation.

11. Audit, Risk & Compliance Committee Minutes

Denise Bovaird, as Chair of the Audit, Risk & Compliance Committee, elaborated on the minutes of the Committee meeting of 28 October. It was noted that the risk map needs some refinement, and management was asked to attend to this and submit to the 2 December Board meeting.

9(2)(a)

[REDACTED] joined the meeting.

12. Land Remediation

The work required to remediate the land to the performance category selected by the Crown is over and above EQC's statutory responsibility. It is yet to be decided how the outcome will be delivered.

A meeting attended by DPMC, local authorities and EQC was held in Christchurch last week to explore local authority expectations and potential roles and responsibilities for land remediation.

This was followed two days later by a meeting of DPMC, the Treasury and EQC, when it was agreed that EQC would develop an options paper to submit to DPMC to help in the development of officials' recommendations to Government. The deadline for this is 5pm, Wednesday, 17 November.

A paper setting out four options for land remediation was tabled by [REDACTED] Board members stated a preference, in principle, for Option 2. It was agreed that these options should be incorporated into the paper for DPMC, subject to the Chairman's review, with EQC's preference for Option 2 clearly stated.

9(2)(a)

13. Tonkin & Taylor Report – Stage 2

It was noted that the report in its present form is not suitable for public presentation as it is too technical and presents too many options. It was suggested that Tonkin & Taylor be asked to work with a communications adviser to prepare, for each affected suburb, a plain English explanation of the remediation proposal, with relevant illustrations.

It was also considered that the initial communication to residents should be a letter from Government on the remediation option for their suburb, through the Earthquake Recovery Commission explaining that it is the Government's decision to remedy the land to a certain standard, that the Government will be paying for it, and advising when work is expected to commence.

This could then be followed up with a letter from EQC, directing people to the plain English Tonkin & Taylor report on the website. If requested, the report could be posted by mail.

An initial estimate is that the report should be available on 1 December.

- 14.** The Chairman said he was conscious of the time and effort expended by Commissioners since the Canterbury earthquake of 4 September in preparing for and attending extra Board meetings, participating in teleconferences and responding to correspondence. He has discussed the matter with Treasury.

15. Next Board Meeting

Thursday, 2 December 2010.

(A conference call for an update of events - Thursday, 25 November – 4pm)

There being no further business, the meeting concluded at 4.10pm

These minutes were approved by the Board as a true and correct record.

M C Wintringham

Date



**MINUTES OF A MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION
Held in the EQC Boardroom
Level 20, Majestic Centre, 100 Willis Street, Wellington
on Thursday, 2 December 2010, at 1pm**

PRESENT: M C Wintringham (Chair)
K B Taylor (Deputy Chair)
G A McLachlan
L M Robertson
D K Bovaird
R J Black

In Attendance: I Simpson (Chief Executive)
P R Jacques (Chief Financial Officer)
9(2)(a) [redacted] (Minutes)

1. The Chairman extended a warm welcome, first to Russell Black who had been appointed to the Board on 1 December, and also to [redacted] from Aon Benfield.

2. **Reinsurance**
(a) **2010/11 Renewal**

9(2)(a) [redacted] gave a brief review of the 2010/11 renewal programme, a report on which had been received earlier in the year. The quarterly security report was tabled. The meeting then discussed establishing a strategy for the 2011/12 renewal.

- (b) **2011/12 Renewal**

It was agreed that early planning for the next renewal is desirable and that, in principle, the current structure of the programme should be retained. Aon Benfield proposed mid March for the renewal visit. Events of the last year have hardened the market, and Aon Benfield estimates increases on last year's prices of [redacted].

Also, it may be difficult to get the top and drop cover next year because of the uncertainty around a second event.

Alternative communications channels should be set up to get information to reinsurers to build confidence. It was agreed that there was no need to change the quoting panel of reinsurers although 9(2)(j) [redacted] may be invited to join the panel. It was noted that liquefaction will need to be factored into future modelling. While there will not be time to research this before the next renewal, EQC will need to be in a position to discuss this with the reinsurers.

It was agreed that a paper on background, options for different reinsurance structures, and strategies for approaching the market, should be obtained from Aon Benfield. This paper, together with management's recommendations should then be submitted for consideration at the January Board meeting. After Board consideration and decision, a meeting with Treasury will be arranged to ensure that the strategy is consistent with any consideration on the size and structure of the Fund. The Minister will also need to be informed.

(c) Information for Reinsurers on EQC's Canterbury Earthquake costs

Melville Jessup Weaver's draft report on EQC's liabilities arising from the Canterbury earthquake, having been earlier circulated by email to Commissioners, was considered. It was noted that claims handling and PMO costs will need to be added to the estimated liabilities.

When the final report is received it will need management signoff and should be provided to Treasury.

A letter based on the actuaries' report will be prepared and set out to the reinsurance market next week.

The report is unlikely to be subject to immediate release under the Official Information Act because of its commercial sensitivity.

9(2)(a)

It was pointed out that there is a key person risk in that [REDACTED] is the only person other than the developers who is completely familiar with EQC's Minerva model. Management was urged to have other personnel trained to run Minerva.

9(2)(a)

[REDACTED] were thanked for their attendance and left the meeting at 3.30pm.

3. Pike River Disaster

During the above discussion, the Chairman stopped the meeting for an acknowledgement of the memorial service being held in Greymouth.

4. MOU with Councils on Land Remediation

9(2)(a)

[REDACTED] and Hugh Cowan joined the meeting to update the Board on negotiations with Christchurch City Council and Waimakariri District Council on land remediation.

The principles and timetable for an MOU between EQC and councils are to be presented to Cabinet on 13 December.

9(2)(a)

9(2)(a)

Treasury appointed [REDACTED] a former senior officer with Treasury and DPMC, to take part in the discussion with the councils and help with cross agency management. The meeting with the councils took place on Tuesday (30 November) and the EQC Chief Executive's letter of 17 November to DPMC was used to provide the basis for discussion. The councils are in the process of appointing contractors, and [REDACTED] of Chapman Tripp is preparing a summary of the meeting which will also respond to issues raised by the councils. This is to be circulated in time for Christchurch City Council to table guiding principles at its meeting next week. The Government mandate is to advance arrangements and the councils and contractors are ready to start as soon as possible. The Minister would like an update on progress next week.

The summary of the meeting with councils will be circulated to Board members.

The Board has already agreed on the model for land remediation and agreed that management should proceed with negotiating on behalf of the Government within this framework. It should be clear in any documentation that the Government is providing the funding for the councils to do this work and EQC is acting as the agent for the Government rather than discharging its statutory obligations. The Board should be informed if there are any changes to the roles and arrangements agreed.

The concept design should reflect what is in the Government paper and when developed will be presented to Government for approval. The concept design and detail design (the latter the responsibility of the councils) must match, and EQC needs to sign off on this, making sure the respective responsibilities of EQC and councils are understood. EQC will also need to sign off on procurement prices before work is started. EQC should retain control over any variations in costs or

scope of works.

The agreement with Waimakariri District Council is likely to be different. This will need separate negotiation and Board agreement.

DPMC and Treasury have invited EQC to draft a ministerial direction once it is clear what is required.

The Chairman thanked 9(2)(a) and Hugh Cowan for their work and they left the meeting.

The Spencerville test case will begin on 14 December and is targeted to be finished by the end of January. It needs to be made clear to the councils that this is not the model for the land remediation work (as described above). The Board is happy to proceed with the Spencerville remediation as discussed and management was asked to keep the chairman informed.

5. Timetable for Claims Assessment

The presentation is t mailed to Board members rather than considered at the meeting.

The Board acknowledged the extraordinary effort and work undertaken to date, and asked the Chairman and Chief Executive to discuss how this recognition could be conveyed to staff.

6. Investment Report to October

The Investment report to October was taken as read.

7. Financial Report to October

The financial reports to October were taken as read.

8. KPMG Internal Audit

KPMG's status report had been circulated to Board members, and an oral update was given to the Audit Risk and Compliance Committee earlier in the day. KPMG are making good progress but there are a few areas where information needs to be confirmed.

A more substantial report will be submitted for the 18 January Board meeting.

9. Commissioners' Deed of Indemnity

9(2)(a) and 9(2)(a) joined the meeting at 4.40pm.

9(2)(h)

Giselle McLachlan voiced some concerned about the wording of the Deed of Indemnity. She has been delegated by the Board to work with the legal advisers to finalise the Deed for execution by Board members.

It was agreed that the Deed of Indemnity should be incorporated in the induction resources for new Board members.

10. Moeraki Group of Claims

The Board noted that a decision has been made by management to decline ten of the 25 claims in the Moeraki group, because they have a Section 36(2) notice on the title. Although no legal opinion has been received, it is clear that EQC has discretion to reject claims with a notice on the title so long as the notice on the title exactly matches the reason for declining. The Chief Executive undertook to check that this is the case.

It was agreed that the policy on EQC's response to claims carrying such notices needs to be made explicit and submitted to the Board together with a supporting legal opinion.

11. Dispute Resolution

The Chief Executive gave an oral update on progress on an alternative complaints/mediation process to lessen referrals to the Ombudsman. A robust internal process is being established to attempt to resolve complaints and disputes at an early stage. If further mediation is required, the Disputes Resolution Services Ltd (DRSL) could be used.

A proposal will be submitted to the next Board meeting for approval.

It was agreed that there should be no fee to claimants for this service, and management will ascertain whether resolution of complaints and disputes is covered by reinsurance.

12. Customer Survey

It was noted that customer satisfaction was maintained to the end of September.

13. Minutes of meeting of 15 November 2010

Ms Bovaird advised that she had joined the 15 November meeting during discussion on the Chief Executive's report and this should be reflected in the minutes. Subject to this amendment, the minutes of the meeting were confirmed.

14. EQC Board Meetings – 2011

Now that EQC is through the initial response phase to the Canterbury earthquake, the Chairman is keen to see a longer term plan for all EQC's responsibilities put in place, and regular and consistent reporting against the plan. The January Board meeting will present an opportunity to trial the revised plan and reporting.

The Chairman and Chief Executive will agree on the timing and structure of these reports, and propose a Board timetable for 2011.

15. Review of Organisational Structure

The Chief Executive presented a review of the new organisational structure. There are still some key positions to be filled – a Strategy/Policy Adviser who will also be responsible for Ministerial and Government liaison, a Human Resources Manager, and a Legal and Governance Manager. Capacity in the leadership team will provide the Chief Executive with the support he requires to do his job.

Resources will also be required to document the lessons learnt from the Canterbury event and consideration should also be given to having the Catastrophe Response Programme rewritten.

16. Next Board Meeting

Tuesday, 18 January

There being no further business, the meeting concluded at 5.55pm

These minutes were approved by the Board as a true and correct record.

M C Wintringham

Date



**MINUTES OF A TELECONFERENCE OF
THE BOARD OF THE EARTHQUAKE COMMISSION
Friday, 17 December 2010, at 1pm**

PRESENT: M C Wintringham (Chair)
K B Taylor (Deputy Chair)
G A McLachlan
L M Robertson
D K Bovaird
R J Black

In Attendance: I Simpson (Chief Executive)
9(2)(a) (Minutes)

Apologies: T J Burt

1. Communication to Claimants

Concern was expressed that some claimants who have received \$100,000 settlement from EQC for a total loss of their dwellings may not fully understand that their insurance includes topup cover from their private insurers as well. Management was urged to ensure that this information is included in correspondence to these claimants.

2. Spencerville

The Chief Executive elaborated on his paper on the contractual arrangements for the pilot programme of land remediation for 6 homes in Spencerville. This is intended in part as a trial for the wider land remediation programme, and in part as a demonstration of progress in the earthquake recovery programme. Because of the time constraint and the one-off nature of the project, EQC will take the principal role. It has been made clear to all parties that this is not a precedent for EQC's role in future land remediation work.

EQC has commissioned Tonkin & Taylor to prepare a detailed design and select a contractor to undertake the work. To get the project under way as soon as possible the procurement process was attenuated. Having considered the documentation provided by management on their review of the process, and technical and legal advice, the Board was satisfied that the selection process was sound and in line with emergency procurement procedures. It was also agreed that it was important to commence the work as soon as possible.

It was resolved:

1. That approval be given to the Chief Executive to sign a letter of intent to award the Spencerville land remediation contract to Daniel Smith Industries Ltd.
2. That in line with the Ministerial direction for EQC to carry out the works in Spencerville, management be delegated the authority to proceed with the project.
3. That a paper be prepared for submission to the January Board meeting, including:
 - a. project timeline
 - b. a set of criteria against which the pilot will be assessed – ie, from procurement of contract to completion, including relationships involved
 - c. technical solution
 - d. legal issues

3. Rebalancing Investment Portfolio

Because of the ongoing need to meet claims from the Canterbury earthquake, the asset allocation of the Natural Disaster Fund remains out of line with its long-term neutral position. Management has recommended against the Fund being rebalanced at this point and that the deviation from the Fund's strategic asset allocation be extended for a further three months.

It was noted that positive discussions have been held with Treasury about selling NZ Government Stock on a regular basis to meet ongoing claims. Discussion should also be held with Treasury about redeeming bonds.

It was resolved:

That approval be given for a three month extension from 17 December of the temporary deviation from the Fund's long-term neutral position.

4. Select Committee Appearance

The Chairman and Chief Executive reported on their appearance before the Commerce Select Committee on 9 December.

Treasury's report to its senior managers and the Minister's Office on the select committee appearance will be circulated to Board members.

5. Relationship with Ministers and Central Agencies

The Chairman and Chief Executive were invited to meet with Treasury and DPMC on 16 December to discuss the Canterbury recovery. They are looking to ensure that EQC's plans and timelines are explicit, align with their expectations, and are consistent with the policy advice on the earthquake recovery being provided to the Government.

The Chief Executive is putting together a plan setting out major streams of work, targets, and resourcing. This will be submitted for discussion and endorsement at the 18 January Board meeting.

When the consolidated plan has been approved by the Board, the Chairman and Chief Executive have undertaken to brief officials, particularly on milestones of importance.

6. Resourcing

9(2)(a) [redacted] has been appointed as interim project director and will liaise with Fletchers and Tonkin & Taylor in managing the work of the PMO and land remediation. It was stressed that the Chief Executive should still maintain regular contact with the principals of Fletchers and T&T.

9(2)(a) [redacted] has been to Christchurch and met with both Fletchers and Tonkin & Taylor. A report on his observations will be submitted to the January Board meeting.

9(2)(a) [redacted] Bryan Dunne has accepted a [redacted] contract commencing 17 January as Manager Strategy and Policy. He has the background for managing policy issues and maintaining relationships with government and ministerial agencies.

Catalyst Consulting have been engaged to assist with a communication strategy going forward.

The Chief Executive has had discussions with prospective candidates for the HR role and intends to progress this before Christmas.

7. General Business

Delegated authorities for staff over the Christmas break will be documented and circulated early next week.

Total claims number 160,000 of which 157,000 are from the September event. Settlement of claims

Released under the Official Information Act 1982
is ahead of the original schedule, which is pleasing given that 50% more claims than anticipated were received. It is unsure at this stage whether all the Fast Track claims will be settled by Christmas.

Hon Bill English will be visiting the Christchurch operations on 21 December. This will include a tour of the Fletchers and Tonkin & Taylor operations.

8. Next Board Meeting
Tuesday, 18 January

There being no further business, the meeting concluded at 2.30 pm

These minutes were approved by the Board as a true and correct record.

M C Wintringham

Date