

NOTE: SOME CONTENTS OF THESE MINUTES ARE SUBJECT TO LEGAL PRIVILEGE.



**MINUTES OF THE MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION
Held in the Majestic Centre Board Room
Level 20, 100 Willis Street, Wellington
Friday 15 February at 10.00am**

Present:
M C Wintringham (Chair)
D K Bovaird
R J Black
G M Smith
K B Taylor

Apologies:
T Burt
P Hughes

In attendance:
I Simpson (Chief Executive)
H Cowan (GM Reinsurance, Research & Education)
B Dunne (General Manager Strategy, Policy and Legal - part meeting)
B Emson (General Manager Customer Services) -part meeting
[REDACTED] (Melville Jessup Weaver) – part meeting
[REDACTED] (Melville Jessup Weaver) – part meeting
[REDACTED] (AON Benfield) – part meeting
[REDACTED] (AON Benfield) – part meeting
[REDACTED] (AON Benfield) – part meeting
[REDACTED] (Minutes)

9(2)(a)

The meeting was declared open at 10.00am

	AGENDA ITEM	
1.	<p>Present and Apologies</p> <p>The Chair recorded apologies from T J Burt and P S Hughes.</p> <p>The Board confirmed that there were no interests not otherwise declared on any agenda items.</p>	
2.	<p>Minutes of Board Meeting of 12 December 2012.</p> <p>The Chair noted the new template of the minutes acknowledging this will assist in extraction of Board decisions and action points.</p> <p>The Board noted the following amendments were required:</p> <ul style="list-style-type: none"> • Page 3, point 4.2 ".....Cash was being pulled out of large cost items and Fletchers work to reduce the overhead base and therefore eventually reduce the numbers of hubs in the coming year" – to be reworded by Management. • Page 3, point 4.2, third line should read "....in terms of the Statement of Intent Measures as well...." • Page 6, Part C, change "operational" to "operationalised" • Page 7, Part D, change "practise" to "practice" <p>The Chair noted and accepted Management's advice on best practice around legal privilege.</p>	<p>The Board:</p> <p>a) Noted the Minutes.</p> <p>ACTION</p> <ul style="list-style-type: none"> • Management to amend wording on page 3, point 4.2. <p>Subject to re-wording and grammatical changes;</p> <p>The Board:</p> <p>b) Approved and confirmed the minutes of the meeting held 12 December 2012 as a true and accurate record.</p>

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<p>2.1.</p> <p>9(2)(f)(iv)</p> <p>9(2)(g)(i)</p>	<p>Draft unconfirmed minutes of the Legislative Review Sub-Committee meeting held Monday 4 February 2013.</p> <p>The minutes of the above meeting were provided to the Board for their information.</p> <p>Management provided an update of current discussion points noting:</p> <ul style="list-style-type: none"> • The Treasury has confirmed a shared view that EQC will no longer provide contents cover. • Treasury is working very closely with EQC, taking into account the operational concerns and considerations that need to be built into the review of the overall scheme of the Act. <p>[REDACTED]</p> <p>[REDACTED]</p> <ul style="list-style-type: none"> • Next steps are to design a draft discussion document ready to take to Treasury and then the Ministers and to provide consistency prior to meetings with reinsurers taking place in April. 	<p>The Board</p> <p>a) Noted the draft minutes of the Legislative Review Sub-Committee meeting held on Monday 4 February 2013.</p>
<p>3.</p>	<p>Matters arising</p> <p>The Chair acknowledged the matters arising noting that they all appear to be in order or underway.</p> <p>The Chair questioned Management as to the status of the small dwelling paper who advised that an update will be sought and provided to the Board subsequent to this meeting concluding.</p>	<p>ACTION</p> <ul style="list-style-type: none"> • The chair requested Management update the Board on the status of the small dwellings paper and the expected timing of this paper coming to the Board.
	<p><i>B Dunne, P Jacques and B Emson entered the meeting at 9.15am.</i></p>	
<p>4.</p>	<p>Chief Executive Report</p> <p>The Chief Executive (CE) presented the CE Report.</p> <p>Management:</p> <ul style="list-style-type: none"> • 9(2)(j) • [REDACTED] • Advised that a key piece of work has been undertaken resulting in the launch of Safe Six programme later this month and highlighted that EQC is leading the way in this area both in the public and private sectors. 	<p>The Board</p> <p>a) Noted the contents of the Chief Executive Report.</p> <p>ACTION</p> <ul style="list-style-type: none"> • Management to provide an update to the Board on the time frame for addressing the backlog on cash settlements to reduce the funds we are holding for this purpose. • Management to provide a litigation paper to the March ARC meeting to show an overview of current litigious activity with a view to taking a 'stocktake' to the April Board meeting. • Management to provide a more formal legal report attached to the CE report each month

	<ul style="list-style-type: none"> • Advised the Board that a significant amount of time has been devoted to privacy, particularly around the interface between EQC and external providers (such as private insurers). EQC is looking to develop a more formalised approach for ensuring security around this information. • Noted a focus on information and files held, particularly around 'vulnerable' people and advised the Board that new systems have been, with an audit of historical information and files also being undertaken. • Advised that the Government has agreed to fund the costs where damage costs for buildings have been apportioned to an event for which the customer has not lodged a claim. • Advised a lack of comfort with the workflow time Management provided by Fletchers and discussed plans in place to provide incentives to contractors to maximise their outputs. • Advised that all activity on Canterbury claims handling is now managed in New Zealand with a further programme proposed to be put in place to bring non-Canterbury claims on-shore by the end of June 2013. • Advised that an efficiency drive has been put in place around the decision making processes for cash settlements, together with a general review of all systems and process. <p>The Board:</p> <ul style="list-style-type: none"> • Sought assurances that the privacy policy reflected best practice, was rigorous and had adequate external input. • Discussed the number of OIA reports and requested confirmation that practices have been put in place to manage these requests. Management advised that a significant communications programme has been implemented to mitigate this situation • Discussed various issues around the implementation of Diminution of Value (DOV) noting that a final decision will be required from the Board at the March meeting. • Discussed litigation risks with Management and sought a paper to provide the Board with a 'whole picture' view, noting that, where there were no conflicts of interests or duties, it was the Board's preference to follow a whole of Government approach as far as possible. 	
<p>4.1.</p>	<p>Business Performance Report</p> <p>Management:</p> <ul style="list-style-type: none"> • Spoke to the paper noting this incorporates the new Actuarial Valuation. However these figures have not been transferred through to the financials until approval is received from the Board. • Provided the Board clarity on how legitimate claims that had not been previously included in the report were being identified (or 'found') noting there are a number of reasons for these having been incorrectly categorised. 	<p>The Board</p> <ul style="list-style-type: none"> a) Noted the contents of the Business Performance Report. b) Requested that the Summary of Major Results Report (page 3) includes last month's figures to assist the Board in identifying movement.

	<ul style="list-style-type: none"> • Provided assurances on how complaints are being dealt with, noting that these are many and varied and EQC's aim is to get each complaint dealt with as quickly and efficiently as possible. 	
<p>4.2.</p>	<p>Health and Safety Report</p> <ul style="list-style-type: none"> • Management confirmed work continues towards preparation for the ACC Workplaces Safety Management Audit which is set down for 12 March. • The key matter in this report is the launch of Safe Six on 26th February. The Minister is strongly in support of this programme and expressed disappointment that his schedule would not allow him to attend. • Management spoke to the new rule that the Department of Labour (DoL) (now part of MBIE) has imposed which will impact significantly how we deal with repair work being carried out at height. Management is assessing options as to how we can work with MBIE to minimise the impact on completion of works. • The Board endorsed Management's view that the safety of our people is paramount and supports Management to do whatever is needed to prevent and assist in threat response training. 	<p>The Board</p> <p>a) Noted the contents of the Health and Safety Report.</p>
	<p><i>B Dunne and B Emson left the meeting at 10.45</i></p> <p>9(2)(a) [redacted] entered the meeting at 11.00am 9(2)(a)</p> <p><i>Melville Jessup Weaver Staff; [redacted] entered the meeting at 11.11 am.</i></p>	
<p>5.</p>	<p>Insurance Liability Valuation Update as at 31 December 2012</p> <p>The Board considered and discussed the following :</p> <ul style="list-style-type: none"> • General understanding of, and agreement with, with the assumptions underlying the valuation. • Sensitivities and uncertainties that might alter the numbers. • Impact of and use of the revised numbers, in accounts and forecasts, and in discussions with reinsurers. • Impact of Diminution of Value implementation in the new valuation. <p>The Chair:</p> <ul style="list-style-type: none"> • 9(2)(g)(i) [redacted] • Advised that we are to provide complete transparency and openness with our reinsurers. 	<p>The Board</p> <p>a) Accepted the Insurance Liability Valuation paper as at 31 December 2012.</p> <p>b) Agreed, subject to (d) and (f) below, to continue to use the existing ultimate liability in the (June 30 2012) actuarial valuation until the Board makes a formal decision to accept an alternative.</p> <p>c) Agreed, consistent with (b) above, not to "release" the difference of \$.5 billion (between the 30 June and 31 December 2012 valuations) until that decision is made.</p> <p>d) Requested a supplementary note from the actuaries providing more detail on the basis of the land liability calculation, in particular the movement in the forecast liability and the impact of the use of Diminution of Value in the calculation.</p>

<ul style="list-style-type: none"> Noted that in the current environment, EQC is on the cusp of a series of decisions and/or tests about the process of land settlement and queried whether EQC 'take' and 'bank' the \$.5b or retain the current accounts and make the substantive change in the June accounts when the decisions have been made and the figures are clearer. <p>The Board:</p> <ul style="list-style-type: none"> Requested clarity on land value assumptions. Advised they were reluctant to reduce the gross ultimate claims estimate without a sufficient basis. This is because the Board prefers a cautious approach and is conscious that this figure may increase again. (b)(2)(j) Advised Management to state to reinsurers that "there is still a large amount of uncertainty around land and DOV but further certainty will be available in June 2013." <p>The Actuaries noted:</p> <ul style="list-style-type: none"> (b)(2)(j) That the variability of results for the land model will be less than previously as uncertainty between land and building relationships has been removed through better matching as a result of improved LIDAR data. (b)(2)(j) That they would like to work more closely with Fletchers as to actual repair costs rather than estimates. As part of the apportionment process, they would like to repeat apportionment surveys to 'test' the numbers. 	<ul style="list-style-type: none"> Agreed to provide full disclosure to EQC's reinsurers and Treasury on both the MJW report as at 31 December 2012, and EQC's decisions on the use of revised forecasts of liability. Agreed that the Insurance Liability Valuation Update paper as at 31 December 2012 and the supplementary note, will go to the next ARC meeting for confirmation of the decision in (b) above, prior to its communication to the Treasury, and before its provision to the reinsurance market. <p>ACTION</p> <ul style="list-style-type: none"> (b)(2)(j) Management to circulate the updated valuation to the ARC for discussion and decision and then forward to the Board for their information.
<p>Melville Jessup Weaver Staff; (b)(2)(a) left the meeting at 11.45 am.</p> <p>AON Benfield Staff; (b)(2)(a) and (b)(2)(a) entered the meeting at 11.50 am.</p>	
<p>6. Reinsurance Renewal Strategy</p> <p>The Chair noted that:</p> <ul style="list-style-type: none"> Management is looking for some parameters from the Board to engage EQC's professional advisors and brokers. This is being conducted in an environment of exhaustion of the fund and review of the EQC Act. The recommendation from Management is a 'rollover' with only a few adjustments to explore differences in structure to enable a more cost effective placement. 	<p>The Board:</p> <ul style="list-style-type: none"> Confirmed the marketing of the programme on expiring terms, which involves the replacement of (b)(2)(j) of cover running off, and the additional (b)(2)(j) of cover if full placement of (b)(2)(j) is desired.

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	<p>The Board:</p> <ul style="list-style-type: none"> • Considered the Market Outlook which shows little change since the December Report. • Discussed various structure options recommended. • Noted that there is currently a high reinsurance market supply with weak growth in demand. • Agreed that their intention is to retain a market presence and key relationships to provide EQC and the Government with the best opportunity for a receptive market. • Discussed [9(2)(f)] status as a good counter-party and noted that their current rating sits within our policy and that their share will remain at the same level as the previous year. 	<p>b) Authorised Management, in the interest of more favourable spread of capacity on the core programme and as an alternative to the current structure, to merge [9(2)(f)] and implement if considered appropriate and within the levels shown on [9(2)(f)]</p> <p>c) [9(2)(f)]</p> <p>d) Authorised Management to achieve the above, at the gross rates on line of [9(2)(f)] or better, utilising co-insurance [9(2)(f)]</p> <p>e) Agreed to retain [9(2)(f)] as their current rating remains within our policy parameters.</p> <p>ACTION</p> <ul style="list-style-type: none"> • Management to ensure Minister and Treasury is informed of final decision.
<p>[9(2)(a)]</p>	<p>AON Benfield Staff; [9(2)(a)] and [9(2)(a)] left the meeting at 12.30 pm.</p> <p>The meeting broke for lunch at 12.30 pm and resumed at 1.02 pm.</p> <p>[9(2)(a)] joined the meeting at 1.05pm.</p>	
<p>7.</p>	<p>Research Education Strategy</p> <p>The Chair summarised the paper, noting:</p> <ul style="list-style-type: none"> • The request for a timely increase. • That the outline is more systematic and integrated. • This ensures the results of new data coming from Research and Development finds its way into practical application. • That this represents the product of work and thought over a number of years and reflects the contribution EQC can make to the wider community. • That this allows for an improved awareness and more appropriate management of risk through research and education. • That this will maximise the impact of funds invested in GeoNet and allows EQC to capitalise on the data and information secured out of Canterbury around engineering • That it is important that this data is translated into actions which will minimise the risk and financial loss in the future where another event of magnitude occurs. 	<p>The Board:</p> <p>a) Adopted the revised Research and Education Strategy in support of EQC's research and education function.</p> <p>b) Directed Management to develop a work programme and detailed scope for proposed new initiatives, in keeping with the strategy and budget.</p> <p>c) Noted the indicative budget of \$1.2m.</p> <p>d) Noted that the responsible Minister will be informed of the final decisions on the work programme and budget for research and education.</p>

	<p>The Board discussed and considered:</p> <ul style="list-style-type: none"> • The factoring into this report of previous concerns around planning decision consequences, whereby it is EQC's responsibility to have a long term and informed approach for risk planning. • The strategy will be used to inform the research grant programme and education, noting the focus is moving from social marketing to education of those who influence and make decisions (local government, land use planners, engineers and architects etc). • How EQC can harmonise its relationships with other organisations [REDACTED] • The Engineering lifeline forum's success noting that companies are basing decisions on EQC's research and education which have mitigated some of the loss in Canterbury. <p>The Chair agreed that should further funding be required the Board would consider a paper submission outlining this request.</p>	
<p>8.</p>	<p>Geo Net Review update</p> <p>The Board discussed the paper noting:</p> <ul style="list-style-type: none"> • The minor modifications and enhancements to earlier iteration. • The cost/benefit analysis is worth conducting to position the conversation with wider government for accountability or stewardship for those functions that the panel sees as relevant and needed which are outside of EQC's mandate. <p>Management requested and the Board agreed to convey the Board's appreciation to the GeoNet team and agreed to discuss at a future meeting the option of brining members of this team to meet with Management and the Board.</p>	<p>The Board:</p> <ol style="list-style-type: none"> a) Accepted the report of the GeoNet Project Panel Review b) Noted the strong endorsements of both service performance and stewardship of GeoNet by the team at GNS Science and that commendation of the EQC Board should be conveyed to the GeoNet team at GNS and the EQC staff involved. c) Noted that some of the recommended technical and managerial enhancements proposed by the Panel have been partially implemented while others will be investigated for costing and adopted in the 2013-2014 Plan if they can be accommodated within the current proposed budget for 2013-2014. d) Noted that a timetable for addressing longer term enhancements, including those requiring new investment, and matters relating to future funding, governance and wider stakeholder engagement, will be developed in parallel during the 2013-2014 work planning process. e) Noted that Management will commission NZIER to update the Cost-Benefit of GeoNet and EQC's related research and education investment, to quantify the benefits to EQC and wider New Zealand in light of the recent hazard events and to inform its future direction and stakeholder engagement.

		<p>f) Instructed Management to report back to the Board with the results of the updated Cost-Benefit analysis and a timetable setting out the process for updating the GeoNet Strategic Plan, having regard to Panel recommendations and all matters relevant to the funding of GeoNet from 2015-2020.</p> <p>g) Agreed that the Minister responsible for the Earthquake Commission should be informed of the results of the review.</p> <p>h) Requested Management to ensure that the role of EQC in its ownership and funding of GeoNet is taken into account in the review of the EQC Act.</p>
	<p>2(a) left the meeting at 1.34pm</p> <p>B Emson entered the meeting at 1.36pm</p>	
<p>9.</p>	<p>Land Communications Strategy</p> <p>Management spoke to the paper noting:</p> <ul style="list-style-type: none"> • That land is still our biggest risk particularly around the interpretation of EQC's obligations under the Act. A significant number of customers believe that they will get their rateable value of their property which is a complete disconnect with the intent of the Act. • Focus groups have been undertaken with customers, but there is still a general lack of confidence in EQC's ability to deliver on promises. • EQC's land settlement programme and communication programme need to overcome both lack of knowledge in the community and diminishing trust. • Customers view their land/dwelling and contents claim as one unit which is not aligned with EQC's separation of each claim. EQC is working to align the dwelling and land claims to mitigate this issue. • 9(2)(g)(i) <p>The Board discussed and noted:</p> <ul style="list-style-type: none"> • That EQC needs to be far more transparent in land settlement decisions. • That it is essential that systems are put in place now to retain and record the lessons learned to ensure that future generations have tools to assist in the event of another large scale event. 	<p>The Board:</p> <p>a) Noted the contents of the Communications programme for land claims.</p> <p>ACTION</p> <ul style="list-style-type: none"> • Management to provide to the Board at the April meeting a considered view with recommendations regarding Declaratory Judgment and whether EQC should initiate litigation.

	<ul style="list-style-type: none"> That if there is a funding or resourcing constraint, the Board is in full support of Management implementing the tools required. 	
<p>10.</p>	<p>Quarterly Reporting against the Statement of Intent</p> <p>Management spoke to the paper noting:</p> <ul style="list-style-type: none"> The document's Intent is to pick up the elements of time, cost and quality and to provide the public with expectations for EQC's performance around different events, noting that for a small event, settlement and or repair/rebuild will be implemented in a faster time frame than for a large scale event. The 'Measures' reflect a 'best endeavours' approach. This is still the correct document for measuring targets noting that some of the measures are not able to be achieved as times have changed since the creation of the SOI. Management's preference is to retain the current SOI and insert notes about errors in year-end reporting. <p>The Chair:</p> <ul style="list-style-type: none"> Noted that the SOI is an agreement between EQC and the Minister outlining our performance targets and it is also a public accountability document which carries with it obligations and optics about the integrity of the document. On this basis; <p>The Board:</p> <ul style="list-style-type: none"> Considered the process of changing an SOI after two quarters and agreed it would be preferable to retain the current SOI and instead, insert supplementary explanatory notes against the measures in year-end reporting, noting this differs from a previous discussion held at Board whereby the shared opinion was that the SOI should be corrected. 	<p>The Board:</p> <ul style="list-style-type: none"> a) Noted the contents of this paper; b) Agreed that the current Statement of Intent is retained and that Management will insert supplementary explanatory notes outlining variances at year end. <p>ACTION</p> <ul style="list-style-type: none"> Management to ensure Minister's office and Treasury are advised of this outcome.
<p>11.</p>	<p>General Business</p> <p>To ensure that EQC's record of Board Members' Interests is up to date; copies of the current register of interests were distributed to each Board Member.</p> <p>The Board agreed that matters of conflict of interests should only include matters where a client relationship or business relationship intersects with EQC.</p>	<p>ACTION</p> <ul style="list-style-type: none"> Board Members to update/amend their Register of Interest and return to the Board Executive by 1 March 2013.

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**MINUTES OF THE MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION**
Held in the Majestic Centre Board Room
Level 20, 100 Willis Street, Wellington
Friday 22 March at 9.00am

Present:
M C Wintringham (Chair)
D K Bovaird
R J Black
G M Smith
K B Taylor
T J Burt

In attendance:
I Simpson (Chief Executive)
B Dunne (GM Strategy, Policy and Legal) - part meeting
B Emson (GM Customer Services) - part meeting
P Jacques (GM Corporate Services) – part meeting

9(2)(a) [REDACTED] (Minutes)

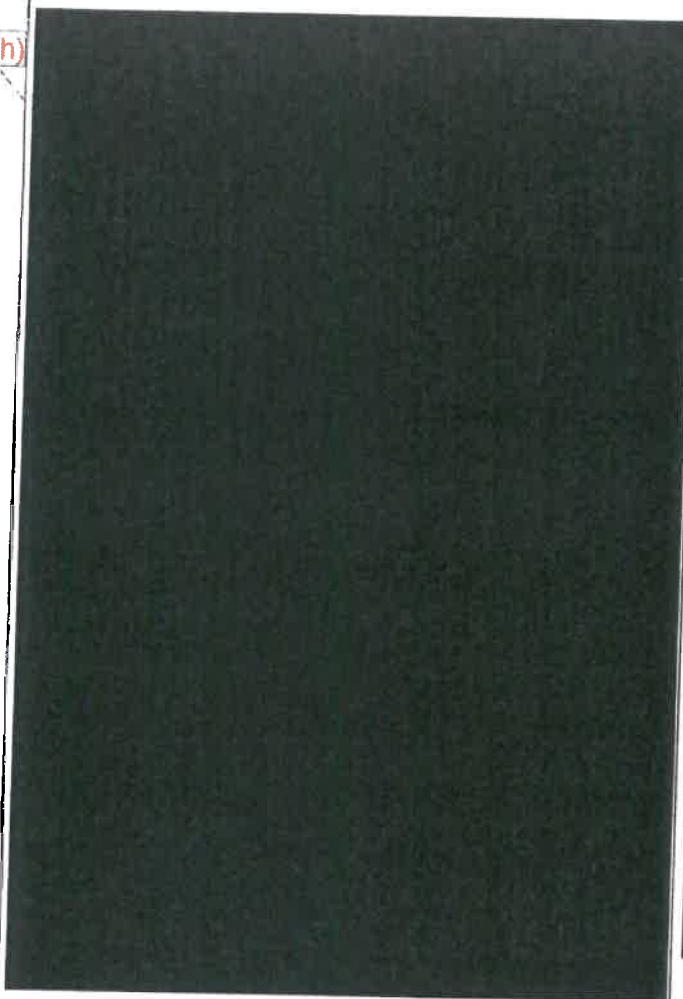
Apologies:
P Hughes
K B Taylor (from 11.40am)

The meeting was declared open at 9.00am		
	AGENDA ITEM	
1.	<p>Present and Apologies</p> <p>The Chair recorded apologies from P S Hughes. The Chair noted that K B Taylor will be leaving the meeting at 11.30am.</p> <p>The Board confirmed that there were no interests not otherwise declared on any agenda items.</p>	
	<i>B Dunne, P Jacques and B Emson entered the meeting at 9.00am</i>	
2.	<p>Minutes of Board Meeting of 15 February 2013.</p> <p>The Board noted the following amendments were required:</p> <ul style="list-style-type: none"> Page 4, point 5 (b) insert "ultimate liability in the" prior to "(June 30 2012) actuarial valuation...." 	<p>The Board</p> <p>a) Noted the Minutes. b) Approved and confirmed the minutes of the meeting held 15 February 2013 as a true and accurate record.</p>
3.	<p>Matters arising</p> <p>The Board reviewed the matters arising.</p>	<p>ACTION</p> <ul style="list-style-type: none"> Board Executive to remove completed items from the Action items outstanding report.

<p>4.</p>	<p>Chief Executive Report</p> <p>The Chief Executive (CE) spoke to the CE Report.</p> <p>Management:</p> <ul style="list-style-type: none"> • Noted that good progress is being made with 14,000 land assessments completed to date. • Noted that transparency in terms of communication with the customer is crucial to mitigate expectations around timelines between the assessment and payment (if any). • Provided the Board with a summary of where in the land assessment process timeline the Canterbury process currently sits. • Advised the Board that any 'holds' on payments being made now relate to land and they are working on ensuring the payment system is 'bolted' to the assessment system as efficiently and consistently as possible. • Advised that a meeting is set to take place between EQC and three major insurers to discuss the practicalities of implementing land settlement between EQC and their customers. • Advised that EQC had applied for ACC accreditation at the 'primary' level and has been granted a higher rating of 'secondary' which reflects well on our Health and Safety process and has a cost saving benefit to the organisation. • Noted that work is under way on improving the security of customer information on our CMS system. • Advised that there is still a strong focus on OIA's but recognized that the net change is not improving i.e. the teams are able to meet the requests arriving on a daily basis but not able to address the backlog. The Ombudsman has written to all customers who have lodged an OIA requesting them to be patient. • Noted the progress on Dwelling Repairs [REDACTED] 9(2)(g)(i) • Discussed the 'in principle' 'wash up' process [REDACTED] 9(2)(g)(i) An attempt was made to complete this on an industry wide basis. However, as this is not achievable, EQC is working with a few insurers only. • Advised that while manual apportionment ratios have been agreed to as to what percentage of damage is apportioned to each event, it still remains to determine the value of what goes to each event. <p>The Board:</p> <ul style="list-style-type: none"> • Discussed Management's definition of "assessment" noting that this is after the property has had a physical assessment and the damage is verified. At this point a 'dollar figure' is attributed to the claim and a settlement statement is drawn up awaiting payment. 	<p>The Board:</p> <ul style="list-style-type: none"> a) Approved in principle EQC entering into negotiations with private insurers to develop a "wash-up" mechanism, provided that any resulting mechanism complied with EQC's statutory obligations and with contractual obligations (including utmost good faith) with EQC's reinsurers b) Noted that in attempting to develop any wash-up mechanism, Management should be aware of the Board's preference for an industry-wide approach. <p>ACTION:</p> <ul style="list-style-type: none"> • Management to report to the Board in April on the timing and process for Land subject to results of meetings with Insurers and Southern Response. The Board accepted that this may need to be addressed by email depending on the timings of the meetings held. • Management to ensure the Board is kept up to date with any key litigation that arises and its implications. • Management to provide to the Board analysis of the time period between the assessment taking place and the customer receiving a cheque and whether this is acceptable.
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	<ul style="list-style-type: none"> • Discussed whether the time period between the assessment taking place and the customer receiving a cheque is acceptable. The CE advised that Management will be in a better position to answer this question in April having taken into account a number of issues including DoV/process/section 19 etc. • Noted that delays have occurred in part because there wasn't historically a Standard Operating Procedure to follow for an event of this scale and new processes have had to be developed. • Noted that <ul style="list-style-type: none"> a) Manual apportionments involving insurers outside the red zone are tracking well. Progress is being made on cash payments for overcap properties. • Noted that some business processes are complicated by policy questions arising from a combination of: <ul style="list-style-type: none"> a) Inadequacy of the Act b) Precedent set by previous payments made by EQC c) Complications around Multi-unit dwelling/Properties with a shared interest/Body corporates etc. • Agreed that Management should ensure that both the Ombudsman and the Privacy Commissioner are kept informed on matters relating to their jurisdictions. • Noted the litigation update and requested that Management ensure the Board is kept up to date on any key issues arising and the implications thereon. 	
<p>4.1.</p>	<p>Business Performance Report</p> <p>The Board:</p> <ul style="list-style-type: none"> • Requested that Management include the dollar value into the Summary of Major Results paper alongside the percentage figures. • Requested assurances that Treasury is kept up to date with the expected timeline on when the Natural Disaster Fund is likely to be exhausted. • Considered the information provided on progress in settlement of building exposures. <p>Management:</p> <ul style="list-style-type: none"> • Advised that the CHE figure would be more appropriately managed and monitored on a dollar (\$) basis rather than a percentage (%). • Discussed that the nature of the costs in our CHE relate not only to direct settlement costs but also undertaking payments such as: <ul style="list-style-type: none"> a) Tonkin and Taylor – complex engineering assessment b) Chapman Tripp - complexity of the Act c) Building the infrastructure of the organisation from scratch. d) Support provided to the recovery as a whole. e) The particular statutory requirements applicable to a Government organisation. 	<p>The Board</p> <ul style="list-style-type: none"> a) Noted the contents of the Business Performance Report. <p>ACTION</p> <ul style="list-style-type: none"> • Management to include the dollar figure into the Summary of Major Results tables. • Management to provide the Board with the total liability figure for residential repairs as soon as practicable. • Management to look at NZ inflation bonds to move to a short term duration index (less than three years). • Management to amend CHE reporting to a dollar basis from a percentage basis for future reports.

	<ul style="list-style-type: none"> • Noted that [REDACTED] have requested more information on how EQC determines where CHE are allocated. • Advised that all apportionments that are in the band that could be passed to insurers, and a cap paid, will be completed by the end of May 2013. • Noted that Management is working to produce an apportionment model to apply to overcap payments – awaiting a broader sample of data which will be available in August 2013. • Noted that significant effort is focused on addressing 'vulnerable' claims as we head into another winter. • Advised of a new initiative through the Research Fund whereby EQC is sponsoring a Christchurch Press journalist to go to Japan to investigate their progress post the Japan earthquake. 	
<p>4.2.</p>	<p>Health and Safety Report</p> <p>The Board considered the Health and Safety report noting that one of EQC's priorities is to look after our people.</p> <p>Management advised the Board of a serious harm incident which is currently being investigated by the Department of Labour. This event has been incorporated into the Safe Six launch to reinforce the message to staff and the outcomes from the process review will be disseminated to the organisation to avoid further incidents of this magnitude.</p> <p>Management is working with the industry to set a 'minimum' health and safety standard which will be implemented and embedded into all contractor relationships.</p>	<p>The Board</p> <ul style="list-style-type: none"> a) Noted the Health and Safety Report. b) Reinforced the importance of Health and Safety in EQC's areas of responsibility in the Canterbury rebuild.
<p>4.3.</p>	<p>Insurance Liability Valuation update</p> <p>The Board considered the attached update and recommendations from the Audit and Risk Committee making a minor change to the minutes to include the words "ultimate liability" in the minutes from the 15 February Board meeting and the recommendation noted here.</p>	<p>The Board</p> <ul style="list-style-type: none"> a) Noted the contents of the ILVR update paper. b) Ratify the decision taken by the Audit and Risk Committee on 25 February 2013 that EQC continues to use the ultimate liability from the June 30, 2012 actuarial valuation until the Board makes a formal decision to accept an alternative.
	<p><i>The meeting broke for morning tea at 10.35 and reconvened at 10.57am.</i></p> <p><i>I Simpson, B Dunne and B Emson left the meeting at 10.58 am.</i></p>	

5.	Diminution of Value (DoV)	The Board:
9(2)(h)		9(2)(h)
6.	<p>Cash Payment update</p> <p>The Board discussed and considered the paper noting there is still some uncertainty between the 'gap' between apportionment and payment.</p> <p>It appears that there is approximately \$ of claims remaining which, if EQC is to achieve its completion goals would have to be paid out at a rate of \$166m per month.</p>	<p>The Board:</p> <p>a) Noted the contents of the paper.</p> <p>ACTION:</p> <ul style="list-style-type: none"> Management to provide a summary analysis of the fund showing current balance and projected balance after forecast costs.
	<p><i>B Emson and B Dunne returned to the meeting at 11.27am. P Jacques returned to the meeting at 11.44am</i></p>	
7.	<p>Procurement and Contracts Management Implementation Strategy (PCMIS) report</p> <p>The Board considered the paper noting:</p> <ul style="list-style-type: none"> That this is the response to the audit of contracts in place but not adequately documented. That the Aon Benfield contract needs to be revisited under this policy. 	<p>The Board:</p> <p>a) Noted the contents of the paper.</p> <p>b) Confirmed the importance, for good financial management and mitigating reputational risk, to have good contract management in place and supported Management's to intention to complete this process as a matter of priority.</p>

	<p>Management advised:</p> <ul style="list-style-type: none"> That the Tonkin and Taylor contract is currently being renegotiated on the basis that it was entered into prior to February 2010. The EQC/T&T working relationship is strong and this is largely a formality which should not pose undue risk to the effectiveness of the relationship. 	
8.	<p>Claims Delegation</p> <p>The Board discussed the suggested amendments to the claims delegations process noting the reinsurance provided that there are two people involved in approving all payments.</p>	<p>The Board:</p> <ul style="list-style-type: none"> a) Noted the contents of the Claims Delegations paper. b) Agreed that the claims delegations section of the delegations framework be updated as detailed in the paper.
9.	<p>Treasury Budget Submissions</p> <p>Management noted:</p> <ul style="list-style-type: none"> That it is required to submit a forecast to the Treasury every year with an update every six months and this paper is a background to this piece of work. That this information will form the basis of the budget which will come to the Board in June. That as part of the consolidation into the core Crown Accounts of our ultimate liability, the Board is being asked to exercise its role in confirming to our monitoring agency (Treasury) that these are the correct figures to incorporate into their budget process. <p>The Board</p> <ul style="list-style-type: none"> noted that the items of significance in the assumptions are: <ul style="list-style-type: none"> Using the ultimate incurred figure from the 30 June 2012 Insurance Liability Valuation. Cost of reinsurance programme is finally agreed 1% growth in housing stock making an assumption that there will be the same level of insurance. confirmed that there are no assumptions submitted above that raise any concerns. 	<p>The Board:</p> <ul style="list-style-type: none"> a) Noted the contents of the Treasury Budget Submissions paper. b) Endorsed the approach in the principles and assumptions used by Management in the preparation of the budget submission.
	Ian Simpson returned to the meeting at 11.57am	

<p>10.</p>	<p>Reinvestment of maturing Government stock</p> <p>The Board considered the paper noting that:</p> <ul style="list-style-type: none"> • EQC should not be investing in anything on a term greater than 3 years acknowledging that this limits our ability to hold Government stock. • EQC should alter the investment policy to allow for investment in <ul style="list-style-type: none"> ▪ cash on call ▪ term deposits ▪ treasury bills ▪ government security ▪ any security with rated banks 	<p>The Board:</p> <ul style="list-style-type: none"> a) Noted the contents of the Treasury Budget Submissions paper. b) Agree to reinvest the 15/4/2013 NZ Government stock maturity in New Zealand Cash. c) Agree to the NZ cash range being changed temporarily from "an absolute amount of \$1,000m" to "an absolute amount of \$1,500m" and the NZ Fixed Interest range being changed from "65% -95%" to "50% - 95%", for a period of 12 months. d) Agree to the duration of the NZ Cash portfolio being temporarily changed from "shall not exceed 90 days" to "shall not exceed 180 days" for a period of 12 months. <p>ACTION:</p> <ul style="list-style-type: none"> • Management to come back to the Board with recommendations on any amendments to the restrictions on the placements of sums with any one financial institution.
<p>11.</p>	<p>Small Dwellings Memo</p> <p>The Board considered and confirmed the revised recommendations.</p>	<p>The Board:</p> <ul style="list-style-type: none"> a) Noted that some insurers have applied the EQC Act incorrectly when calculating the extent of EQC cover and the EQC levy payable on dwellings under 100m2 and on indemnity value policies for less than \$100,000 (+ GST); b) Noted that the effect of this is that the sum insured for the purposes of calculating EQC's insurance cover and the EQC levy payable may not always have been appropriately disclosed on policy documents or renewal notices; c) Noted the following: <ul style="list-style-type: none"> ▪ Management agreed to infer a specified amount for the purposes of s.18(a) of the Earthquake Commission Act 1993 from the presence on the policy of the EQC levy amount, where this has been based on the m2 formula or the indemnity value; ▪ Management agreed to not recover underpaid levies from insurers where this mistake has occurred in good faith; and ▪ Management directed Risk and Assurance to be responsible for implementing a programme that will ensure insurers apply the Earthquake Commission Act 1993 correctly going forward.
<p></p>	<p>K Taylor left the meeting at 11.35am</p>	<p></p>

12.	<p>Boarding House Declaratory Judgment decision update</p> <p>Noted the decision taken by email and agreed to include the hard copy of the emails confirming the agreement not to appeal the Declaratory Judgment.</p>	<p>ACTION</p> <ul style="list-style-type: none"> • Board Executive to insert a copy of the confirmation responses from each Board member into the file copy of the Board papers for March 2013.
13.	<p>Building Safety</p> <p>The Board considered the paper reinforcing that we have a responsibility and concern for the safety of our people and look forward to receiving the reports once they are available.</p>	<p>The Board</p> <ul style="list-style-type: none"> a) Noted the contents of this paper b) Agreed that Management submit further information on receipt of the awaited reports to the April Board meeting.
	<p>B Dunne left the meeting at 12.04pm</p>	
14.	<p>Audit and Risk Committee update</p>	
14.1.	<p>Minutes</p> <p>The Board noted the draft Minutes which provide an overview of the content of discussion at the ARC meeting.</p>	
14.2.	<p>Risk Report/Risk Appetite and Proposed Revisions to Risk Matrix</p> <p>Management noted:</p> <ul style="list-style-type: none"> • That the internal audit team have reviewed and agreed upon recommendations on areas that need to be improved but are finding it difficult to implement these recommendations due to competing priorities from business as usual. • That they have standardised the assessment across each audit to address the variations in the seriousness of some issues that previously held the same ranking. • That they are looking at changing the Risk Appetite to assess where each risk fits so that tasks can be prioritised accordingly with a focus on critical and high risks to get these addressed as quickly as possible. <p>The Chair of the Audit and Risk Committee:</p> <ul style="list-style-type: none"> • Requested that the Board consider what their risk appetite is and note that a discussion/workshop should to be held at a future meeting around: <ul style="list-style-type: none"> ▪ risks included in EQC's risk map; ▪ definition of the risks; ▪ rankings that are attributed to each risk in the risk matrix. 	<p>The Board</p> <ul style="list-style-type: none"> a) Noted the contents of this paper b) Noted the role of a good Risk Culture in managing risk. c) Agreed that, at an early date, the Board should review the risks in the EQC Risk Map, to agree their ranking, mitigation and, more generally, the Board's risk appetite. <p>ACTION:</p> <ul style="list-style-type: none"> • The Board to review the risk on the EQC Risk Map to agree their ranking, mitigation and more generally, the Board's risk appetite.

	<ul style="list-style-type: none"> Noted that it is Management's responsibility to identify the risks that the organisation faces and to make sure these are being managed in an appropriate way and it is the Board's responsibility to make sure that Management are meeting this obligation. However the Board needs to establish some context as to how serious each of the risks identified are, and to approve the risk assessment criteria that reflect the Board's risk appetite. Advised that the ARC will consider this further and bring a separate paper to the Board at a future meeting. 	
<p>14.3.</p>	<p>ARC Terms of Reference</p> <p>The Board discussed and considered the amendments made to the ARC Terms of Reference noting the changes made are minimal and do not affect the structural content or intent of the document.</p>	<p>The Board</p> <ul style="list-style-type: none"> a) Noted the contents of this paper b) Approved the amended Terms of Reference for the Audit and Risk Committee.
<p>15.</p>	<p>General Business</p> <p>During the course of the meeting the Board was notified of a significant privacy breach. Customer claim information, intended for Fletcher EQR had been mistakenly emailed to another addressee.</p> <p>The person responsible had taken the correct steps, seeking to have the information destroyed by the recipient and notified her manger immediately.</p> <p>Management briefed the Board on the action it was taking to protect this information.</p>	<p>The Board</p> <ul style="list-style-type: none"> a) Noted and agreed the actions being taken by management on the Privacy Breach. b) Endorsed the priority being given to this matter and protection of customer information more generally.
	<p>The Meeting closed at 12.25pm.</p> <p>The next Board meeting will be on Friday 12 April 2013 in Christchurch.</p> <p>These minutes were approved by the Board as a true and correct record.</p>	
	<p>_____</p> <p>M C Wintringham</p>	<p>_____</p> <p>Date</p>

NOTE: SOME CONTENTS OF THESE MINUTES
ARE SUBJECT TO LEGAL PRIVILEGE.



**MINUTES OF THE TELE-CONFERENCE MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION**
Held in the Chief Executive Office
Level 20, 100 Willis Street, Wellington
Tuesday 26 March 2013

Present:
K B Taylor (Chair)
D K Bovaird
G M Smith
T Burt
P Hughes

In attendance:
J Simpson (Chief Executive)
B Dunne (General Manager Strategy, Policy and
Legal - part meeting)
D Barber (General Manager Communications)

9(2)(a) [REDACTED] (Minutes)

Apologies:
M C Wintringham
R J Black

The meeting was declared open at 4.30pm	
	AGENDA ITEM
1.	<p>Present and Apologies</p> <p>The Chair recorded apologies from M C Wintringham and R J Black.</p>
2.	<p>The meeting was called to provide the Board with an update subsequent to the privacy breach of 22 March with a particular focus on providing:</p> <ol style="list-style-type: none"> 1. Summary of events that have occurred 2. Summary of meeting with Minister Brownlee 3. Steps taken and being implemented
3.	<p>Summary of events to date</p> <p>Management provided the Board with a timeline of events that have occurred since the email was sent at 7.47am on Friday 22 March including the steps that were taken with the recipient to mitigate any further dissemination of this information.</p> <p>The Board acknowledged the seriousness of the incident but commented on the speed and efficiency that the matter was dealt with in the first instance, particularly noting that the staff member involved had taken the correct steps once the error was realised.</p> <p>The Board requested that Management ensure communications to the Board with any subsequent events that may have media implications are attended to with a sense of urgency to ensure a 'no surprises' approach is maintained, noting that this didn't occur prior to the Media announcement on Monday to the effect that the data inadvertently released was more extensive than first advised.</p> <p>The Board indicated to Management that it is imperative that safety measures are put in place immediately to ensure the security of the data held with EQC given it was apparent that the staff member involved was not aware of 'hidden' data in the document.</p>

	<p>Management advised the Board that they had relied upon the recipient's advice that the data was deleted but have subsequently learnt that there were a number of other people in his office at the time and it is now apparent that the information was viewed and discussed prior to deletion.</p>	
<p>4.</p>	<p>Meeting with Mr Brownlee</p> <p>Management provided the Board with a summary of the discussion points from the meeting with Minister Brownlee which was held at 9am on Tuesday 26 March 2013.</p> <p>Colin McDonald, the Government Chief Information Officer was also present at the meeting. The Minister requested absolute detail on every aspect of the breach, which was provided prior to 11am this morning.</p> <p>Mr Brownlee was supportive of the organisation and the steps taken while being mindful of the scale of the breach we have had. He made it clear that he supported the progress being made in Canterbury and wants us to deal with this issue and get the focus to return to the core operation.</p> <p>Management advised the Board that an Oral Question had been raised in Parliament this afternoon and provided an overview of the content of the response.</p>	
<p>5.</p>	<p>Immediate steps that have been taken:</p> <p>Management advised the Board that Debbie Bannister has been appointed as the 'point' person to deal with this issue and she will be pulling together the key streams of work:</p> <ol style="list-style-type: none"> 1. Accurately and precisely documenting for the Minister all events that occurred on a minute by minute basis including exact details of what was on the spreadsheet 2. Incorporating and implementing new business rules into EQC's system including (but not limited to): <ol style="list-style-type: none"> a. Immediate steps such as removal of the 'auto fill' email address tool in Outlook b. Instigating a 'warning' message that appears whenever an external email address is used. c. Comparing and implementing standards around use of external drives for data transfer rather than email. This will include an FAQ to assist staff in using this process. 3. Overseeing and selecting a suitable provider to conduct an external and independent review to determine root causes and how these can be resolved and/or mitigated. Request for Proposals (RFP's) will be Issued to Deloittes, KPMG and Ernst & Young) <p>The Executive Leadership Team will be holding twice dally response meetings to address a list of activities with a focus on getting momentum and action around this on an urgent basis.</p> <p>The Board sought assurances that the staff member involved is being provided with the appropriate level of support and assistance which Management confirmed were in place. The Board agreed that a weekly update should be provided to the Chair and/or Deputy Chair who would then disseminate the information to the rest of the Board noting that any news of serious consequent should be forwarded to the Board on an urgent basis.</p>	

	<p>The Board requested confirmation from Management that the Privacy Strategy document that was to come to the Board in March would be on the April agenda.</p> <p>Management advised that EQC will refrain from commenting on any further media stories until such a time as clarity is available on a strategy going forward but acknowledge there will be a story on the news tonight.</p> <p>Management advised that if there is any indication that the data hasn't been destroyed or that this is being used for commercial gain, then EQC will pursue legal action against the offending party.</p>	
	<p>The Meeting closed at 5.02pm.</p> <p>These minutes were approved by the Board as a true and correct record.</p> <p>_____ Date</p> <p>K B Taylor</p>	

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**MINUTES OF THE MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION**

Held in the Pukeko Room
53 Princess Street, Christchurch
Friday 12 April 2013 at 9.00am

Present:

M C Wintringham (Chair)
D K Bovaird
R J Black
G M Smith
K B Taylor
T J Burt
P S Hughes

I Simpson (Chief Executive)
B Dunne (General Manager Strategy, Policy and
Legal)-part meeting
B Emson (General Manager Customer Services)-part
meeting
D Barber (General Manager Stakeholder
Engagement and Reputation)-part meeting
P Jacques (General Manager Corporate Services-
part meeting.
9(2)(a) (Risk and Assurance)-part meeting
J Whitfield (GM, Project Portfolio Management) -
part meeting

Apologies:

9(2)(a) (Minutes)

The meeting was declared open at 9.09am.

AGENDA ITEM		
1.	<p>Present and Apologies</p> <p>There were no apologies recorded.</p> <p>The Board confirmed that there were no interests not otherwise declared on any agenda items.</p>	
2.	<p>Minutes of Board Meeting of 22 March 2013.</p> <p>The Chair advised that he had not reviewed the minutes of the meeting of 22 March prior to their submission to the Board and requested that they be formally confirmed at the Board meeting set down for 17 May 2013.</p> <p>The Board advised that the minutes should record that the Board were advised at the 22 March meeting of the privacy breach that occurred on that day.</p>	<p>The Board:</p> <p>ACTION</p> <ul style="list-style-type: none"> • Deferred until the next meeting formal consideration and confirmation of the minutes of the meeting of 22 March. • The minutes to include reference to the Board being advised of the privacy breach on the day it occurred.
2.1.	<p>Draft unconfirmed Minutes of the Board Meeting held by tele-conference on 26 March 2013.</p> <p>The Board agreed to discuss further actions, since the meeting held on 26 March 2013, under Agenda Item 5.</p>	<p>The Board</p> <p>a) Approved and confirmed the minutes of the tele-conference meeting held 26 March 2013 as a true and accurate record.</p>

<p>3.</p>	<p>Matters arising</p> <p>The Board noted the matters arising and agreed upon the status of each item. It was noted that due to the system 'shutdown' following the privacy breach of 22 March, reporting ability was restricted resulting in a number of action items being deferred until the May meeting.</p>	
	<p><i>B Dunne, B Emson and P Jacques joined the meeting at 9.20am.</i></p>	
<p>4.</p>	<p>Chief Executive Report</p> <p>The Chief Executive (CE) presented the CE Report.</p> <p><u>Land settlements and risk of legal challenge</u></p> <p>Management:</p> <ul style="list-style-type: none"> Noted that a positive meeting was held with Southern Response. The key outcome from that meeting is that the insurer will provide list of potential sites where 'joint works' could be undertaken. Management will assess these sites to determine how costs would be split. <p>9(2)(j)</p> <p>The Board:</p> <ul style="list-style-type: none"> Noted that Southern Response's expectation is that, when they are repairing a house that requires foundation repairs, the customer through EQC's land settlement payment will contribute toward the foundation repairs. Should this contribution be acceptable, they will proceed with the works bypassing any litigation which will set a precedent for other insurers. <p><u>Section 19</u></p> <p>Management:</p> <ul style="list-style-type: none"> Provided an update on the Section 19 issue giving a summary of EQC's current interpretation as applied in land settlements, the internal review of this position and the legal opinion sought by management. <p>9(2)(h)</p> <ul style="list-style-type: none"> Noted that there could be an impact on the ILVR around the land damage estimates (thought to be of around \$100 - \$150m) but that further work would be undertaken to confirm the fiscal impact 	<p>The Board</p> <ul style="list-style-type: none"> a) Noted the contents of the Chief Executive Report. b) Agreed that Management should continue to settle claims on the current basis and while maintaining a principled approach to the settlements, be flexible and pragmatic where appropriate to minimise litigation risk and consequential delays to the land settlement programme. c) Noted that the key considerations that Management need to incorporate into any decision is that the final method used in practice should be, as far as possible; <ul style="list-style-type: none"> Technically and legally defensible; appear to be fair Have a time limit imposed to avoid any future property owners requesting EQC to pay for house renovations in the guise of "enabling works". <p>ACTION</p> <ul style="list-style-type: none"> The Chair and Deputy Chair to come back to the Board at the next meeting with proposals for a Health and Safety Charter with a view to establishing a new board sub-committee. Management to provide to the Board an estimate of the fiscal impact of Section 19 implementation. Management to provide to the Board, by the end of April, the proposed timing of the flat land settlement process.

	<ul style="list-style-type: none"> Recommended continuing to use the current method of assessment [REDACTED] s(2)(h) Advised that there are circa 48,000 land claims on flat land for which Section 19 Interpretation issue has no impact and that Port Hills properties are the main group to be affected by this issue. Advised the Board that a timeline will be provided by the end of April on the flat land settlement process. <p><u>Diminution of Value (DoV)</u></p> <p>Management:</p> <ul style="list-style-type: none"> Advised the Board that working examples of how DoV would be implemented in the field have been drafted. These findings need to be discussed further to ensure that they can be operationalised without creating further risks. Advised the Board that alternative “cut through” options – e.g. pay costs of repair less enabling works (and only pay enabling works if work actually done) were also being developed. <p><u>Insurer wash-up:</u></p> <p>Management:</p> <ul style="list-style-type: none"> Summarised the meeting between [REDACTED] which resulted in an agreement that the insurers would provide a sample of properties that have been repaired and ‘settled’. EQC will then use these (where final costs and scopes are therefore known) to develop and test the proposed wash-up mechanism. <p><u>Litigation</u></p> <p>Management:</p> <ul style="list-style-type: none"> Provided the Board with an update on the recent ‘O’Loughlin v Tower hearing, noting that the findings are largely restricted to the specific Tower insurance policy. The key outcome with implications for EQC settlements is that the decision to place a property in the Red Zone does not by itself give rise to physical loss or damage – thus there is no compensation available under insurance policies for the economic loss that may occur from Red Zone decisions. 	
<p>4.1.</p>	<p>Financial and Investment Reports</p> <p>Management:</p> <ul style="list-style-type: none"> Management provided a summary financial report noting that the increased returns on Government Stock will not be realised until such time as the government stock is sold. Noted that there are no changes required to current investment strategies. 	<p>The Board</p> <p>a) Noted the contents of the Financial and Investment reports.</p>

<p>4.2.</p>	<p>Health and Safety Report</p> <p>Management:</p> <ul style="list-style-type: none"> • Noted the Health and Safety report and discussed the new Safe 6 programme • Discussed the security of staff advising that as a result of a number of customers coming into the Christchurch office and abusing staff, the office doors are now locked at 4.30pm. • Advised that Minister Brownlee is scheduled to visit the Christchurch office next week. This will be a good opportunity for the Minister to reinforce the message of support to staff for the work that they are doing. <p>The Board:</p> <ul style="list-style-type: none"> • Discussed whether Health and Safety required a stronger governance input, and agreed in principle to establish a Health and Safety committee of the Board. Commissioner R Black agreed to chair this committee. Commissioner K Taylor will provide a draft 'charter' for EQC to use as a template for forming the Charter. 	<p>The Board</p> <p>a) Noted the contents of the Health and Safety Report.</p> <p>ACTION:</p> <ul style="list-style-type: none"> • The Chair and Deputy Chair will come back to the Board at the May meeting with a proposal for establishing a Health and Safety committee.
	<p><i>J Whitfield and D Barber joined the meeting at 10.14am.</i></p>	
<p>5.</p>	<p>Privacy Breach Update</p> <p>Management:</p> <ul style="list-style-type: none"> • Provided a summary of events to date, noting the key focus is to give the GCIO assurance on the security of our systems which will enable key services to be re-instated so that work flow can continue. • Noted that the impact on the business is significant. Since the 'shut down' the pace of claims settlement has been severely reduced. This impact will likely continue for some months until reestablishment of full systems is in place. • Advised that as a result of the 'shutdown', all access to the internet was blocked to minimize the risk of any unauthorized information leaving the business. A 'white list' has been established to provide the business with essential site access. • Advised that a risk assessment is being undertaken into allowing Insurers access to key parts of CMS to allow for verification of insurance cover prior to settlement. • Advised that the Minister has indicated that, in conjunction with GCIO, approval will be progressively granted for improved access and the 'opening' of systems. • Advised that, in the current environment, a paper based approach for transfer of data has been implemented, noting this process needs to be refined to ensure security and consistency. A team of business process managers and project analysts has been mobilised to undertake this piece of work. 	<p>The Board</p> <p>a) Noted EQC was notified of two separate privacy breaches in the week leading up to Easter.</p> <p>b) Noted the Minister Responsible for the Earthquake Commission agreed to the limited restart of EQC's claims processing systems following the complete system shutdown on 28 March 2013.</p> <p>c) Noted that EQC Management continues to work with the Government Chief Information Officer to identify and resolve any general issues with EQC's information management systems to minimise the potential for any further privacy breaches.</p> <p>d) Noted that EQC is undertaking a series of activities to ensure the ongoing security of customer information as a direct consequence of the breaches.</p> <p>e) Noted that EQC has an approved privacy policy and guidelines for handling breaches and is currently developing a Privacy Vision and Strategy.</p> <p>f) Agreed that a sub-committee should be established to assist with providing Management with a steer on the balance between getting the work done and fixing the problem. Commissioner's M Wintringham, P Hughes and T Burt agreed to be on this committee.</p>

	<ul style="list-style-type: none"> • Provided the Board with a deadline of 1 August to embed the changes into the organisation – noting the four key outcomes included in the privacy paper are: <ol style="list-style-type: none"> 1. The CE, Board and Minister have confidence that EQC's processes and systems can deliver EQC's outcomes and maintain customer privacy. 2. EQC staff, customers and stakeholders say they were well-informed about EQC's response to the privacy breaches and in EQC's plans to manage customer privacy issues in the future. 3. EQC can self-identify any privacy breach and proactively manage and respond to it. 4. Privacy is a key driver of customer certainty is at the heart of how EQC works. • Advised that the Privacy Commissioner has been engaged throughout this process. • Advised that a new data solution process has been implemented including a Secure File Transfer Protocol (SFTP). Files are saved into the SFTP and an email is sent to the client providing them with a password protected link to the file location – no attachments with emails are permitted. • Advised that a media plan is under development to contact all customers including investigating the implementation of an 0800 number for customers with concerns. • Advised that, following the release of EQC cost estimates for house repairs, new cost assessment processes are being investigated to securing multiple quotes from contractors for properties in the CHRP. • Provided an update on legal action as a result of the recipient retaining/distributing the information. <p>9(2)(a)</p>	<ul style="list-style-type: none"> g) Noted that, while this is an immediate issue, the focus should remain on the Canterbury project to achieve completion timelines previously advised to customers. h) Discussed the issue of addressing Brand & Reputation while retaining deliverability of the project. i) Agreed that Management should pursue securing two quotes for all works required under the Canterbury Home Repair Programme (CHRP). j) Requested confirmation of the steps taken to mitigate an event of this nature re-occurring. k) Provided assurances that Management has the Board's support in continuing, with legal advice, to enforce of the injunction and support any other legal or police action as required. l) Noted that this situation is a further example of the difficulty faced by the current legal framework in dealing with the cyber climate in which businesses now operate. m) Endorsed the steps Management is taking on the understanding that there is no single solution. n) Endorsed the importance of embedding into the organisation awareness of the risks, and the need for good judgment in conjunction with providing technical and electronic business processes to enable claims settlement. <p>ACTION:</p> <ul style="list-style-type: none"> • The Chair to establish a Board steering sub-committee as per (f) above.
	<p>joined the meeting at 11.37am.</p>	
<p>6.</p>	<p>Privacy Strategy</p> <p>The Chair noted that:</p> <ul style="list-style-type: none"> • Management is seeking to provide the Board with an understanding on how this strategy will be put into practice and the difference this will make to the organisation. • The section on EQC considerations should be amended to focus on the 'challenge by the tension created between getting the job done.....' and remove language around conflict. <p>The Board:</p> <ul style="list-style-type: none"> • Noted that the paper is focused on the problem rather than on the solution and the way forward. • Noted that the emphasis is on the compliance process rather than the culture and indicated a preference for Management to focus on practice rather than process. 	<p>The Board:</p> <ul style="list-style-type: none"> a) Noted the contents of the draft EQC Privacy Vision and Strategy; b) Subject to further refinement, approved the Privacy Vision and Values; c) Agreed the implementation of the best practice privacy framework as the strategy for achieving the Privacy Vision. d) Noted the planned initiatives to implement the framework. <p>ACTION</p> <ul style="list-style-type: none"> • Management to make amendments incorporating positive language with an increased focus on the Vision and Value and practical application into the Culture.

	<ul style="list-style-type: none"> • Instructed Management that the training and education of staff is going to be a key issue. • Noted that one of the challenges will be to maintain the ongoing message around privacy to ensure that this is built into the organisation after the initial 'flurry' of activity. • Noted the Board's preference is to focus on the vision and value statement. It is important to temper this issue with the understanding that EQC is currently working through the Canterbury project. The Vision should be current and can be reviewed in the future to reflect the changing nature of the organisation. <p>Management:</p> <ul style="list-style-type: none"> • Noted that this will assist in identifying broader issues around privacy. • Sought the Board's endorsement on the vision and values component of the document. • Noted there needs to be a fundamental shift in the behavioural culture of the organisation: <ul style="list-style-type: none"> ○ Why it is important? ○ What does it mean for you at the front line? ○ Where can you get training and education? 	
	<p><i>At 11.52 am the Board requested a session 'in committee' at which point the Board Executive and staff left the meeting.</i></p> <p><i>The meeting resumed at 12.38pm.</i></p>	
<p>7.</p>	<p>Ground Improvement Trials</p> <p>The Board discussed and considered the paper.</p>	<p>Subject to:</p> <ol style="list-style-type: none"> 1. Submission of report on speed of settlement (impact) and 2. Refinement of costings and satisfactory contract: <p>The Board:</p> <ol style="list-style-type: none"> a) Noted that testing is required to validate both the engineering performance and the production cost of several ground improvement methods. b) Noted that the outcomes of these trials will be essential for engineering assurance in liquefaction-related land claims and the design and construction of house foundations. c) Noted that due to the lead-in time for establishing the trials successfully a decision is sought from the Board in April d) Agreed to EQC's support in principle for the trials, to enable trial preparations to begin as soon as possible.

8.	<p>BAU Budget Paper</p> <p>The Board discussed and considered the paper.</p>	<p>The Board:</p> <p>a) Noted the contents of this paper b) Agreed the submission of the budget to Treasury.</p>
9.	<p>Land Settlement on CAPEX</p> <p>The Board:</p> <ul style="list-style-type: none"> Noted that this paper is working on current Standard Operating Procedures but takes into account that if there are any dramatic changes as a result of Diminution of Value and Section 19 this will be implemented accordingly. 	<p>The Board:</p> <p>a) Noted the contents of this paper. b) Approved the change request for \$300,036 in additional capital expenditure (\$875,080 already approved).</p>
10.	<p>General Business</p> <p>There were no items of General Business.</p>	
<p>The next Board meeting will be on Friday 17 May 2013 in Wellington.</p> <p>The Meeting closed at 12.45 pm.</p> <p>These minutes were approved by the Board as a true and correct record.</p> <p>_____ M C Wintringham</p> <p>_____ Date</p>		

NOTE: SOME CONTENTS OF THESE MINUTES
ARE SUBJECT TO LEGAL PRIVILEGE.



**MINUTES OF THE MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION**
Held in the Majestic Centre Board Room
Level 20, 100 Willis Street, Wellington
Friday 17 May 2013 at 9am

Present:

M C Wintringham (Chair)
D K Bovaird
R J Black
G M Smith
K B Taylor
T Burt

In attendance:

I Simpson (Chief Executive)
B Dunne (General Manager Strategy, Policy and Legal) - part meeting
B Emson (General Manager Customer Services) -part meeting
9(2)(a) (Contractor Loss Adjuster) – part meeting
P Jacques (General Manager, Corporate Services) – part meeting
9(2)(a) (Acting Chief Risk Officer) – part meeting
9(2)(a) (Senior Advisor: Organisational Planning, Performance
and Reporting) – part meeting.
9(2)(a) (Minutes)

Apologies:

P S Hughes

The Board had entered into an 'in private' session at 9.00am.
The meeting was declared open at 10.00am

	AGENDA ITEM	
1.	<p>Present and Apologies</p> <p>The Chair recorded apologies from Peter S Hughes.</p> <p>The Board confirmed that there were no interests not otherwise declared on any agenda items.</p>	
2.	<p>Minutes of Board Meeting of 12 April 2013</p> <p>The board advised of minor changes:</p> <p>Page 5, m) 'taking' not 'asking' n) embedding remove 'the'</p> <p>Minutes of Board Meeting of 22 March 2013</p>	<p>The Board:</p> <p>a) Approved and confirmed the minutes of the meeting held 12 April 2013 as a true and accurate record.</p> <p>b) Approved and confirmed the minutes of the meeting held 22 March 2013 as a true and accurate record.</p>
3.	<p>Matters arising</p> <p>The Board:</p> <ul style="list-style-type: none"> Noted the matters arising and agreed upon the status of each item. Agreed that the new Board Chair designate will be appointed to the Audit and Risk committee. 	<p>The Board:</p> <p>a) Agreed that any two members of the Audit and Risk Committee have the Board's delegated power to authorise Management to bring external communication systems back on line prior to the GCIO being advised.</p> <p>b) Agreed that Management should consult any two members of the Audit and Risk Committee for informal feedback prior to issues around privacy going to the ARC formally.</p>

	<p><i>B Dunne, P Jacques, [redacted] and B Emson entered the meeting at 10.05am.</i></p>	
	<p>The Board and Management entered into an off agenda discussion noting:</p> <ul style="list-style-type: none"> • The Canterbury earthquakes have resulted in EQC facing a task of enormous magnitude. While what has been achieved is significant, maintaining the level of resourcing, engagement and capability required may prove challenging in the current environment. • The environment in Canterbury is increasingly difficult for our people to work in and with local and national elections looming that environment is likely to get more challenging. • The potential for litigation remains and while this has been kept to a minimum, it is expected that litigious activity will increase over time. • Demands on EQC are also increasing due to higher levels of interest and engagement from other agencies including, for example, the Auditor General, Privacy Commission, Government Chief Information Officer, Human Rights Commissioner and Chief Ombudsman and other monitoring agencies. • Management has a huge challenge to maintain the architecture of the organisation both in its current form and as we transition into the new EQC model. • Key question is how soon can we complete claims management and settlement in Canterbury and move into an EQC residual management model of maintaining and dealing with the tail end of litigation as a result of the earthquakes. • In effect, the Board is asking, can we do it more efficiently and can we do it faster? • The sense of frustration at the Board level is around settlement of land claims in particular. • The Board is looking for Management to provide some finite solutions around: <ul style="list-style-type: none"> ○ Realistic and achievable date that EQC can 'wrap' the Canterbury project up. ○ What can be achieved within the time frame set? ○ What are risks associated with completing the works in this time frame and can these be managed? ○ How much will it cost? • The Board agreed that if Management can provide this information to the Board, they would: <ul style="list-style-type: none"> ○ Provide Management with the Board's tolerance of the risks, ○ Provide Management with direction and approval of an alternative programme, ○ Take this to the Government, ○ Support Management to achieve this goal. 	<p>ACTION:</p> <p>The Chief Executive to advise the Chair with when Management can come back to the Board with a Strategy Paper addressing the issues discussed and summarised below:</p> <ol style="list-style-type: none"> 1. Residential claims settlement and CHRP, identifying: <ol style="list-style-type: none"> a. the benefits from efficiency and quality control (avoiding rework), b. enhancement or acceleration on opt out provisions 2. Options for increased levels of cash settlement 3. Legal/contractual implications 4. Risks clearly identified (both reputational and operational) so that the Board can be part of this decision, provide endorsement to Management and inform the Government. 5. Bring together some of the outstanding queries the Board has including: <ol style="list-style-type: none"> a. How long for cheques to flow? b. Segmentation of the repair market c. Expectations on timing d. Risks around insurers challenging EQC's obligations for repair/settlement. 6. Finite solutions around: <ol style="list-style-type: none"> a. Realistic and achievable date that EQC can 'wrap' the Canterbury project up. b. What can be achieved within the time frame set? c. What are risks associated with completing the works in this time frame and can these be managed? d. How much will it cost?

- The Board wished to signal to Management that it:
 - s(2)(g)(i)
 - wished to provide direction on key decisions or issues which may currently be at an impasse.
- The Board is exercising its governance role and is prepared to call a special Board meeting to discuss these proposals.

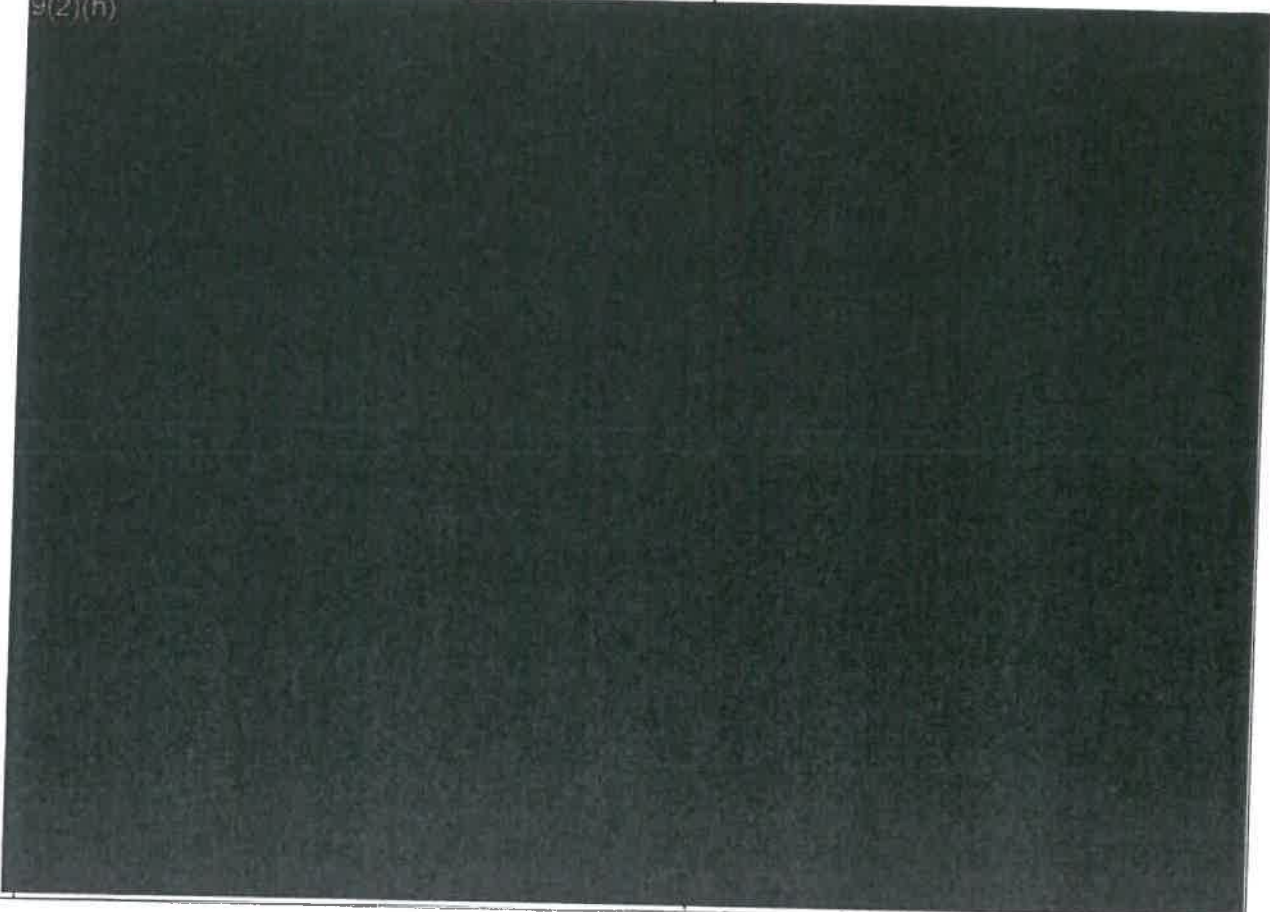
Management responded noting:

- Defining what "wrapping up" mean in terms of business planning? – From an operational perspective the aim is to get things done as quickly as possible bearing in mind cost, time, quality and risk.
- There are a number of issues Management needs to identify:
 - What are the risks,
 - What is the appropriate 'trade off'?
 - What is the outcome for customers we are seeking?
 - Staff retention issues.
 - Potential inequity for customers already cash settled.
- Potential for more efficiency from the CHRP with greater quality and higher speed.
- A decision is required on increasing the scope of cash settling to minimise the number of claimants waiting for repairs.

Management advised the Board that:

- The repair methodologies for category 1 to 7 land claims are relatively straightforward, robust and defensible. This means around 80% of land claims can be 'cleaned up' relatively quickly and certainly by the end of 2013.
- The Broad estimate of the increase in land liability if EQC was to pay "cap" for category 8 and 9 damage instead of repairing the land or utilizing DoV is potentially \$1 – 1.5 billion.
- Unforeseen issues have arisen. For example, resource consent and Resource Management Act issues are arising from a number of potential 'HAIL' sites which is creating further delays and requires further decisions.
- Land repair trials are being undertaken for properties with Category 8 damage. This will help mitigate risks, such as those arising from the recent O'Loughlin v Tower case. Trials are also planned for properties where houses remain in place.

<p>4.</p>	<p>Chief Executive Report</p> <p>The Chief Executive (CE) presented the CE Report.</p> <p>Management:</p> <ul style="list-style-type: none"> • Provided a verbal indication of the content of a report from the Auditor General, noting this is not yet official and a formal letter will be forthcoming. The four key areas of the CHRP reviewed are: <ul style="list-style-type: none"> ○ Initial contracting ○ Operational management ○ Ongoing risk ○ Future lessons • Noted the successful reinsurance programme that met the structure and parameters agreed by the Board at the previous meeting and that the books were closed approximately 10% over subscribed. • Noted that Management is proposing to 'place' this current reinsurance and come back to the Board in July with options for further pricing options to assist in driving the cost down. • Acknowledged that EQC is in breach of the law in terms of meeting its obligations under the OIA and provided examples of the types of OIA requests that are being received. • Advised that they are working internally on providing the OIA team with additional resourcing specifically around putting together a dedicated team to address the backlog. • Discussed the Human Rights Commission (HRC) draft report noting that a response is being prepared by Management in conjunction with the Chairman. <p>The Board:</p> <ul style="list-style-type: none"> • Deferred the discussion around Section 19 and DoV until Management comes back with the paper referred to in the discussion undertaken prior to the commencement of the meeting. • Noted that there is an element of disquiet about DoV in the context of the O'Loughlin case. 	<p>The Board</p> <p>a) Noted the contents of the Chief Executive Report.</p> <p>ACTION</p> <ul style="list-style-type: none"> • Management to come back to the Board in June with an answer/solution/position on OIA situation. • Management to confirm whether the Aon Benfield contract comes up for review this year. • The Chair to prepare a letter to the HRC, in support of Managements' response.
<p>4.1.</p>	<p>Business Performance Report</p> <p>Management:</p> <ul style="list-style-type: none"> • Noted the summary of major result graphs with 46% of all exposures now closed. • Advised that the work flow from EQC to Fletchers and from Fletchers to contractors is being closely monitored. • Work is being undertaken to classify, identify and address vulnerable people's claims on an urgent basis using the Tier one criteria defined as "over 80 years of age and/or chronically ill" noting that approximately 10% of all claimants meet this criteria. 	<p>The Board</p> <p>a) Noted the contents of the Business Performance Report.</p>

	<ul style="list-style-type: none"> Distributed an ACC survey document showing Health and Safety incidents in the construction industry. This highlights that EQC's focus on health and safety is timely and necessary. The issue is that the claims reflected in these charts do not correlate to the numbers that are reported to EQC. Enforces the requirement of an industry wide and whole of government approach to health and safety. 	
<p>4.2.</p>	<p>Health and Safety Report</p> <ul style="list-style-type: none"> Work going on in terms of mirroring 'safe six' for office based staff. Largest occupational risk is for the safety of our people in terms of physical and verbal abuse. An Issue has arisen about asbestos - the Chief Medical Officer for Canterbury has indicated that, in effect, EQC should remove all asbestos as part of the repair and rebuild programme in Canterbury. This is outside of the scope of EQC's statute. EQC has endorsement from the Ministry of Building, Innovation and Employment (MBIE), Ministry of Health and the Department of Labour that we are currently meeting all obligations and guidelines when dealing with asbestos. 	<p>The Board</p> <p>a) Noted the contents of the Health and Safety Report.</p>
<p>4.3.</p>	<p>Litigation update</p>	<p>The Board</p>
<p>9(2)(h)</p> 		

4.4.	<p>Deed of Warranty with Southern Response</p>	<p>The Board</p> <p>a) Approved the Deed of Warranty between EQC and Southern Response and delegated two Board Members to execute this document.</p>
	<p>12.26pm" Bruce Emson, Bryan Dunne, [redacted] and Philip Jacques left the meeting.</p>	
5.	<p>Privacy Breach update</p> <p>The Board considered and discussed the paper noting:</p> <ul style="list-style-type: none"> • That the paper reinforces that another major privacy breach would be untenable. • Management has the Board's endorsement to make judgments as to how this issue is progressed. <p>Management noted:</p> <ul style="list-style-type: none"> • By end of June, all business processes should be at least at the same level of functionality as prior to when the privacy breach occurred. • By end of August staff communication training project in place. • Good progress has been made on interaction with insurance industry. • There are a number of processes that are significantly impacted by the technological restrictions (Opt out/CMS Insurer access/Cash settlement). 	<p>The Board</p> <p>a) Noted the contents of the Privacy Breach update.</p> <p>b) Endorsed the steps taken.</p> <p>c) Reinforced the need to get all systems back up and running in a way which is consistent with retaining privacy of customer information.</p>
	<p>The meeting broke for lunch at 12.35 pm The meeting resumed at 1.00pm 9(2)(a) joined the meeting.</p>	
6.	<p>Enterprise Risk Management</p> <p>The Chief Executive introduced 9(2)(a) the Acting Chief Risk Officer to assist with an enhanced focus on risk within the Executive team. The CRO's role will bring together the existing Risk and Assurance team along with enhanced focus on information security and building models around our financial risks.</p> <p>The paper is an initial discussion document identifying the Acting CRO's view of EQC's current risk management environment.</p> <p>Management distributed the presentation for discussion:</p> <ul style="list-style-type: none"> • Noting that the report identifies the requirement for identification, clarity, strategy and protocols in the Risk Management process noting where the responsibility sits with each sector of the organisation. • Advised that a formal recommendation will come back to the board for endorsement at a future meeting. 	<p>ACTION</p> <ul style="list-style-type: none"> • Management to bring back a paper to a future meeting with formal recommendations for the Board around the Risk Management Strategy incorporating the business case.

	<p>The Board:</p> <ul style="list-style-type: none"> Discussed whether there are any identifiable key differences in this strategy compared with EQC's current operating risk management activities. Noted that with the current focus on 'getting things done' and in the context that Canterbury is a short to medium term project, the Board expressed concerns that this piece of work would add another layer of work to an already stretched operation. Recommended that Management and the Board consider trialing a programme of work which includes addressing one or two key risks each month as part of the regular Board meetings to keep management engaged with the monitoring of the Board's risk appetite. Acknowledged that there is a requirement for the organisation to 'test' the priorities that are placed on the risks avoiding an exercise that becomes a static model. 	
	<p>9(2)(a) left the meeting at 1.35pm.</p>	
<p>7.</p>	<p>Statement of Intent (SOI)</p> <p>Management summarised the paper, noting:</p> <ul style="list-style-type: none"> That they are seeking general agreement from the Board prior to going to treasury There is provision where significant requirements are need to change the SOI if necessary. <p>The Board discussed noting:</p> <ul style="list-style-type: none"> Focus is on particular targets that have been specified in the SOI. Comment could be included that states "one of our objectives is that we are trying to speed up the settlement of Canterbury" In the context of the discussion at the outset of this meeting, the Board agreed not to incorporate the objectives to 'speed up the works in Canterbury' formally into the SOI; rather the Chairman will incorporate this point into the Forward of the document. Suggested amendments to grammar and wording noting that the document read very well and any recommended changes were on the whole not substantive. 	<p>The Board:</p> <ol style="list-style-type: none"> Noted the contents of this paper and the 2013-2016 EQC Statement of Intent. Noted that a near final draft SOI will be sent to the Minister and Treasury for formal consultation by 30 May 2013. Noted that all targets, definitions and the forecast year end for all service performance measures are currently being corrected or verified prior to the SOI being sent to the Minister and Treasury. Noted that the 2013 SOI will include the fine tuning or update some service performance measures based on our experience. Advised any feedback on the content of the SOI. Approved the paper subject to minor wording changes and acknowledging the document still has some formal process to go through. <p>ACTION</p> <ul style="list-style-type: none"> Management to draft a 'Forward' for the Chairman based on discussion points agreed. <ul style="list-style-type: none"> Acknowledgement for us to settle claims for the benefit and wellbeing of people in Canterbury as soon as we can. Reference to the contribution to the government objective – "recovery of communities affected by National Disasters through one of the largest construction projects in NZ's history." The Board to forward any drafting recommendations or amendments to 9(2)(a) directly.

<p>8.</p>	<p>Financial Delegation Framework</p> <p>The Board discussed the paper and:</p> <ul style="list-style-type: none"> • Sought assurance that this document is a pulling together of both decisions made in principle and decisions confirmed by the Board and ARC at previous meetings. • Noted that in the general principles, the Board would like to see in plain English, the statement that "people as a general rule cannot delegate the power to delegate i.e. if person A has authority and delegates to B, B cannot delegate this authority to C." • Suggested minor amendments to be incorporated into the document. <p>Management:</p> <ul style="list-style-type: none"> • Noted that as a result of changes in the Corporate Services team, there are a number of non-substantive changes to 'titles' in the document under delegated authority. • Advised the Board that this will be Philip Jacques last Board meeting. After 23 years working for EQC, thanked Phillip for the huge work that he has undertaken and also the talent that he has brought into the organisation. <p>The Chair:</p> <ul style="list-style-type: none"> • Endorsed this thanks -- noting that the organisation has gone through a number of transitions that have been managed and set up by Phillip in his ever changing role -- part of the history of this organisation and that Phillip had contributed an enormous amount of knowledge. 	<p>The Board:</p> <p>Subject to recommended amendments including the revision on page 23.</p> <p>a) Approved the revised Delegations Framework with an effective date of 1 June 2013.</p> <p>ACTION:</p> <ul style="list-style-type: none"> • Management to: <ul style="list-style-type: none"> ○ Add the statement under general principles, page 3 - "A statutory officer may delegate all powers under their delegation with the exception of the power to delegate." ○ Append to the final Delegations Framework the "Accounts payable process" document (page 2) to support the natural segregation of duty issue. ○ Amend the fourth bullet point on page 3 under 2. Purpose that reads "risky or unusual transactions are approved by someone with appropriate authority" to "People with authority appropriate to the nature of the transaction, i.e. size, riskiness or unusual nature have the authority to approve."
<p>9.</p>	<p>CHRP Review – Proposals for Change</p> <p>Management spoke to the paper noting:</p> <ul style="list-style-type: none"> • On a commercial level, there hasn't been a formal approach, however informal discussions have occurred. • At an operational and management level, informal discussions have been undertaken. • Health and safety charter has been implemented across a number of organisations – minimum standards which will apply to all of our accredited contractors. • That 'bank teller' setups are being used as a model to provide security for staff in the 'shop front' hubs. <p>The Board discussed noting:</p> <ul style="list-style-type: none"> • The sensitivities around this discussion with Fletchers. • Ensuring staff safety at the hubs is covered off in the final decision. • That the accreditation around Health and Safety be confirmed as included in contracts and implemented. 	<p>The Board:</p> <p>a) Noted the contents of the paper.</p> <p>b) Agreed to the following recommendations:</p> <ul style="list-style-type: none"> • To implement a new accreditation framework to address issues with safety and quality. • To implement a new contract allocation and procurement strategy and align roles within the business to support it. • To reduce the number of hubs from 21 to 6 'supersite' hubs and to establish six separate community based 'shop front' <p>c) Invited management to review and make recommendations on the oversight structures and mechanisms for the CHRP including those services delivered through the PMO Services agreement with Fletcher Construction.</p> <p>d) Delegate to the Chair authority to approve the capital expenditure required on the basis of the business case.</p> <p>e) Noted the outstanding piece of work that Reid has delivered.</p>

Released under the Official Information Act 1982
 NOTE: SOME CONTENTS OF THESE MINUTES
 ARE SUBJECT TO LEGAL PRIVILEGE.

10.	<p>Building Safety</p> <p>Management spoke to the paper noting:</p> <ul style="list-style-type: none"> • That the paper around manpower house will be available next week and will be distributed to the Board at the next meeting. Expect that this report will be fine with the exception • That the indications are that the report will on the whole be fine, however one item raised around an air-bridge. 	<p>The Board:</p> <ol style="list-style-type: none"> Noted the contents of this paper. Directed management to take the steps recommended in Section 8 of the Report by the Wellington Region Emergency Management and report back to the Board upon completion. Seeking assurance about the adequacy of the seismic status of Manpower house and gained oral assurance that the report will be submitted to the next Board meeting. <p>ACTION</p> <ul style="list-style-type: none"> • Management to ensure Minister's office and Treasury are advised of this outcome. • Management to submit copy of Seismic Safety Report on Manpower House at the June meeting. • Management to report back to the Board as to the completion of recommendations in Section 8 of the Wellington Region Emergency Management Report.
11.	<p>GeoNet Workplan 2013/2014</p> <p>The Board discussed and noted:</p> <ul style="list-style-type: none"> • Stage 13 fits within the annual dollar limits within the long term agreement. • Noted that GeoNet is fit for purpose and received endorsement by the independent review • Management has endorsed this and recommended it to the board. • Sought assurance from Management that this document has been peer reviewed internally. 	<p>The Board:</p> <ol style="list-style-type: none"> Approved the specification for stage 13 of the GeoNet project for the 2013/2014 year. <p>ACTION</p> <ul style="list-style-type: none"> • Management to confirm with the Board that the GeoNet Workplan report has been reviewed internally, particularly by a member of the finance team.
12.	<p>Sponsorship of Research Capability</p> <p>The Board discussed and considered this paper seeking assurance</p> <ul style="list-style-type: none"> • That assurance is sought that there is the ability for the Board to meet with the appointed Chair of Economics of Disasters in due course. 	<p>The Board:</p> <ol style="list-style-type: none"> Agreed to EQC management entering into an equal shares partnership agreement with the Ministry for Primary Industries and the Victoria University of Wellington Business School, for the establishment of a Chair in the Economics of Disasters on the basis that this is already accommodated within the existing and approved Research budget.
13.	<p>Board Sub-Committee – Health and Safety Committee Terms of Reference</p>	<p>The Board:</p> <ol style="list-style-type: none"> Confirmed the establishment of a Health and Safety Committee. Approved the Terms of Reference of the committee. Agreed that the Chair appoints Russell Black (as chair) and Trevor Burt as members of the committee together himself ex officio.

NOTE: SOME CONTENTS OF THESE MINUTES
ARE SUBJECT TO LEGAL PRIVILEGE.



**MINUTES OF THE MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION**
Held in the Majestic Centre Board Room
Level 20, 100 Willis Street, Wellington
Friday 14 June 2013 at 9am

Present:

M C Wintringham (Chair)
D K Bovaird
R J Black
G M Smith
P S Hughes
M L Wevers

In attendance:

I Simpson (Chief Executive)
B Dunne (General Manager Strategy, Policy and Legal) - part meeting
B Emson (General Manager Customer Services) - part meeting
E Hicks (Financial Controller) – part meeting
9(2)(a) (Financial Reporting Manager) – part meeting
9(2)(a) (Acting Chief Risk Officer) – part meeting
D Barber (General Manager Stakeholder Engagement and Reputation) –
part meeting
9(2)(a) (Minutes)

Apologies:

K B Taylor
T Burt

The meeting was declared open at 9.35am		
	AGENDA ITEM	
1.	<p>Present and Apologies</p> <p>The Chair recorded apologies from Keith Taylor and Trevor Burt.</p> <p>The Board confirmed that there were no interests not otherwise declared on any agenda items.</p>	
2.	<p>Minutes of Board Meeting of 17 May 2013</p> <p>The Board considered the minutes and agreed as to their accuracy.</p>	<p>The Board:</p> <p>a) Approved and confirmed the minutes of the meeting held 17 May 2013 as a true and accurate record.</p>
3.	<p>Matters arising</p> <p>The Chief Executive discussed the various matters arising noting:</p> <ul style="list-style-type: none"> The auditor's review of Statement of Intent (SoI) has been forwarded to the Minister with a recommendation from Treasury for execution. A formal risk map and tolerance discussion will take place in July. <p>The Chair:</p> <ul style="list-style-type: none"> Requested for the benefit of new Board members, a summary paper outlining the Research and Education budget and the current allocation of spending. 	<p>The Board:</p> <p>a) Noted the matters arising and agreed upon the status of each item.</p> <p>ACTION</p> <ul style="list-style-type: none"> Management to provide to the Chair for distribution to new Board members the summary of the Research and Education budget and current spend. Management to initiate a discussion as to how EQC's Research and Education function sits alongside other National Risk Management and

	<ul style="list-style-type: none"> • Noted that EQC has previously advised the Government that notwithstanding our liabilities for Canterbury, EQC will continue with its Research and Education programme for two reasons: <ul style="list-style-type: none"> ○ That Canterbury provides a real life opportunity for geological engineering and other research for lessons for the future. ○ That GeoNet is a world class National asset and if EQC ceased providing funding to university research, this would have a significantly adverse effect on University Research capability. • Confirmed that the Government accepted this advice. <p>The Board:</p> <ul style="list-style-type: none"> • Sought from Management a discussion as to how EQC's Research and Education function sits alongside other National Risk Management and Risk Identification processes specifically noting: <ul style="list-style-type: none"> ○ The measurements of our effectiveness in the Research and Education space, particularly around GeoNet. ○ Is the quantity that we are putting in the right amount, in the right areas and how does it link and lever to other leadership and management of National Infrastructure and Resilience. • Noted that the interface with Ministry of Housing and their work on 'standards' is important and has National Cost and Risk implications. 	<p>Risk Identification processes specifically noting:</p> <ul style="list-style-type: none"> ○ Measures of our effectiveness in the Research and Education space, particularly around GeoNet. ○ Analysis on whether the amount we have invested is the correct amount and in the right areas. ○ Analysis of how this funding links and levers to other leadership and management of National Infrastructure and Resilience. <ul style="list-style-type: none"> • Management to bring the risk map to the July Board meeting for a formal tolerance discussion.
	<p><i>Emma Hicks, Bruce Emson and Bryan Dunne entered the meeting at 9.51am.</i></p>	
<p>4.</p>	<p>Chief Executive Report</p> <p>The Chief Executive (CE) presented the CE Report taking the report as read.</p> <p>Management provided:</p> <ul style="list-style-type: none"> • An update on the current status of the injunction and further possible proceedings against the EQC Truths blogger. • A summary of the current position in terms of EQC's access to and reliance on and interaction with Crown Law. • Further information with details of the litigation EQC currently faces together with background information on the Boarding Houses and Reinstatement of EQ Cover declaratory judgments – both of which have had significant impacts on how we settle claims. • An update on the response to the recent privacy breach noting that the GCIO is comfortable with the steps that EQC has implemented. Management intends to have all systems back on line by the end of June noting that the email attachments will be the final step implemented with risk mitigation steps in place. 	<p>The Board</p> <p>a) Noted the contents of the Chief Executive Report.</p> <p>ACTION</p> <ul style="list-style-type: none"> • Management to incorporate further details of the issue in dispute for each of the 'active' proceedings contained in the Summary table in the CE's report.

	<ul style="list-style-type: none"> • An update on current and proposed resourcing and initiatives to manage current and anticipated volumes of OIA requests. Management is investigating a number of solutions, and has been seeking advice from other Government entities. <ul style="list-style-type: none"> ○ Noted that there are a number of significant issues with both the volume and nature of requests that are impacting on EQC's ability to meet timeframes. ○ Noted that there has been ongoing contact with the Office of the Ombudsman for some time and that the engagement continues to be positive, despite the situation. ○ Noted that better communication with customers – such as through the “90 day” initiative – will be essential to mitigate and minimise further OIA requests. <p>The CE provided</p> <ul style="list-style-type: none"> • A brief outline of the recent email mail out which contained a link that was reported by one recipient to be ‘infected’ and a potential privacy issue. Management took immediate steps to suspend any further emails and carried out an investigation into the link. The investigation showed that the link is not ‘infected’ and a privacy breach is unlikely. <p>The Board:</p> <ul style="list-style-type: none"> • Noted that if EQC is entering litigation that relates to an interpretation of the Act that potentially has wide-ranging ramifications, then their preference is that Crown Law provides a view for EQC of EQC's obligations under the Act. • Encouraged Management to continue to seek advice from the Chief Ombudsman and the Privacy Commission as to how EQC can respond to the volume of legitimate requests given the circumstances and that current legislation is not geared to dealing with an event of this scale. 	
<p>4.1.</p>	<p>Business Performance Report</p> <p>The Board:</p> <ul style="list-style-type: none"> • Noted the report as read, considered and requested clarifications on minor details included in the report. • Requested clarification on ‘wash up’ mechanism discussions with Insurers noting that this process needs to be completely transparent. 	<p>The Board</p> <ul style="list-style-type: none"> a) Noted the contents of the Business Performance Report.

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<p>4.2. Health and Safety Report</p>	<p>Commissioner Black provided:</p> <ul style="list-style-type: none"> An update to the Board on the newly established Health and Safety Committee (HSBC) with a summary of the discussion and outcomes. As an interim step the committee agreed that the Health and Safety Report should continue to come to the Board. <p>Management:</p> <ul style="list-style-type: none"> Advised that the Executive Leadership team have initiated a programme whereby they will undertake structured safety conversations in the field with contractors and sub-contractors and would welcome any Board member involvement in this programme. Provided an update to the Board on the Asbestos issues that are being dealt with, particularly given the recent statements by the Canterbury Medical Officer of Health. This included working very closely with MBIE, CERA, Local Health Officers and the former Department of Labour OSH unit. <p>The Board:</p> <ul style="list-style-type: none"> Noted that communications around the issue of Asbestos are critical to ensure this issue is managed effectively. Noted that dealing with asbestos is an opportunity for a whole of government response, as sole responsibility does not reside with EQC. There will be asbestos material in houses in almost every community. <p>The Chair:</p> <ul style="list-style-type: none"> Advised the Board that although was still more to do to improve the focus on Health and Safety, he was reassured by the work being done by Management in terms of systems and process in place. Noted that the Board will be provided with the MBIE - Good Governance Guidelines that have come out of the Pike River disaster. 	<p>The Board</p> <p>a) Noted the contents of the Health and Safety Report.</p> <p>ACTION</p> <ul style="list-style-type: none"> Management to provide the Board with the MBIE - Good Governance Guidelines that have come out of the Pike River disaster.
<p>4.3. Reinsurance Placement Summary</p>		<p>The Board</p> <p>a) Noted the contents of the Reinsurance Placement Summary.</p>
	<p><i>Bruce Emson and Bryan Dunne departed the meeting at 10.52am Debbie Barber entered the meeting at 10.55am</i></p>	

<p>5.</p>	<p>Reputational Update</p> <p>Management distributed the presentation for discussion noting:</p> <ul style="list-style-type: none"> • That further work is being undertaken to get a better understanding of the importance and urgency of media requests. <p>The Board:</p> <ul style="list-style-type: none"> • Acknowledged the excellent work that the CE has undertaken in terms of fronting the media, particularly in terms of Campbell Live interviews. 	<p>The Board</p> <p>a) Noted that Management should work with the Board on a pro-active basis around communications to the public on the OIA issue with a particular focus on 'interim' responses to manage expectations.</p>
	<p>s(2)(a) and Emma Hicks entered the meeting at 2.48pm.</p>	
<p>6.</p>	<p>Canterbury CHE Budget</p> <p>Management distributed the presentation for discussion noting:</p> <ul style="list-style-type: none"> • All business owners have been through this budget and have agreed to the budget. • EQC is now forecasting a total CHE spend for Canterbury of \$1,208 million. <p>The Board:</p> <ul style="list-style-type: none"> • Noted that subsequent to the decisions and agreements made at today's Board meeting there will likely be an impact on both the settlement cost figures (likely to increase) and the CHE figures (likely to reduce) particularly if EQC are able to 'wrap up' CHRP ahead of the current projected timeframes. • Sought and received confirmation from Management that the assumptions behind the 2014 CAPEX for both Canterbury and non-Canterbury operations that these figures are prudent and adequate for the job to be completed. 	<p>The Board</p> <p>a) Noted the contents of the Canterbury CHE Budget and Proposed 2014 Capex Budget paper.</p> <p>b) Approved the 2014-2017 budget for the Canterbury CHE expenses.</p> <p>c) Approved the 2014 Capital Expenditure for both the Canterbury event and Non-Canterbury operations.</p>
	<p>s(2)(a) and Emma Hicks departed the meeting at 3.05pm.</p>	
<p>7.</p>	<p>Research Education Strategy – Work Plan</p> <p>The Board discussed and considered the Research Education Strategy, noting the amount that has been budgeted and agreed for GeoNet and for the other categories for the year. The Board noted that the emphasis of the Research programme is to translate the results of GeoNet and the results of any of the work coming out of Canterbury into practical outcomes for urban planning and earthquake engineering. T</p> <p>The Board:</p> <ul style="list-style-type: none"> • Referred to the discussion under Matters Arising as to the request for a full briefing be provided to new Board members. 	<p>The Board:</p> <p>a) Noted the contents of the Research Education Strategy paper.</p> <p>b) Agreed to the Research and Education Work plan for FY13/14.</p>

	<p>Bryan Dunne, Bruce Emson and ██████████ entered the meeting at 11.33am.</p>	
<p>8.</p>	<p>Canterbury Home Repair Programme (CHRP) update</p> <p>The Board discussed the paper noting:</p> <ul style="list-style-type: none"> • That there is a clear appetite from the Board that the contents claims that are able to be closed should be actioned at Management’s earliest convenience. <p>Management:</p> <ul style="list-style-type: none"> • Provided the Board with an overview of our current status in terms of claims around Land, Contents and Buildings, noting that settling Contents claims is almost complete. • Outlined the policy drivers and decisions behind the establishment of the managed repair programme (CHRP), noting that these could be compromised if cash settlement was implemented on a widespread scale. • Noted that overall operations in Canterbury are going well and, based on current forecasts and a business planning exercise earlier this year, EQC could complete claims and exit Canterbury by December 2014. • Advised the Board that “completed” in this context meant all building repairs completed (where there were no external impediments) and all cash payments made, including for land. • Noted that EQC has flexibility within the Fletcher EQR contract to determine what repairs are undertaken by EQR, but consideration should be given to the moral and commercial obligations in terms of labour and skilled trades. • Outlined a number of options to accelerate CHRP claims settlements, and the implications and issues that would arise should the Board consider altering the current settings. These included: <ul style="list-style-type: none"> ○ A proposal for cash settling multi-unit buildings (MUBs) except where these were occupied by elderly or vulnerable claimants. Management sought the approval of the Board to exercise discretion as to when to apply a cash settlement or opt in options. ○ A proposal to cash settle claims where pre-existing risk factors make it difficult to isolate individual costs or to co-ordinate repairs. Weathertight issues and non-compliant electrical wiring examples were discussed. ○ A proposal to cash settle the claims of commercial and large scale property owners and investors. ○ A proposal to cash settle those claims where the repairs were ‘on hold’ at the request of the claimant, resulting in a substantial delay. Settlement on this basis would occur at an assessment based on today’s costs or where the costs had been adjusted to today’s dollars (e.g. through CPI or similar official index). 	<p>The Board:</p> <ul style="list-style-type: none"> a) Noted that under the Earthquake Commission Act 1993 (the Act), EQC has the option of settling residential building claims by replacement, reinstatement, relocation or cash payment. b) Noted that based on current rates and operational settings, the CHRP could be completed by December 2014. c) Noted that opportunities for further acceleration of building settlement timeframes could be achieved by changing the weighting given to the policy settings underpinning the CHRP, and by increasing resources. d) Noted that both approaches have significant operational implications for EQC and Fletcher EQR. e) Confirmed the current lower threshold for the CHRP as being claims with estimated damage greater than \$15,000 (GST incl). f) Confirmed that CHRP target timeframes be amended and publicized as December 2014 g) Noted the request in the Letter of Expectation from the Minister Responsible for EQC to avoid transfer of costs to other agencies h) Directed Management to bring to the next meeting: <ul style="list-style-type: none"> ○ Information on the impact of decisions to accelerate CHRP, such as numbers of claims involved, estimates of time saved and costs avoided i) Noted and endorsed Management’s preference to retain current processes to mitigate change fatigue and implementation issues. j) Encouraged Management to continue to streamline existing processes and seek further efficiencies. k) Endorsed: <ul style="list-style-type: none"> ○ The CHRP Hub Rationalization. ○ The implementation of changes to the contractor engagement model. l) Agreed that decisions to cash settle should be implemented taking into account householder circumstances (particularly for the vulnerable) and the stated policy objective for the CHRP. m) Agreed that Management should exercise discretion to: <ul style="list-style-type: none"> ○ incur defensible upfront costs in order to secure resolution (including settlement on a portfolio basis) with major social housing property owners (Christchurch City Council, Housing NZ Corporation (HNZC)). Such settlements would avoid

	<p>The Chair:</p> <ul style="list-style-type: none"> Noted that the EQR scheme has the effect that the claim settlement is spent on repair, which in turn, helps ensure the quality of housing stock. Advised Management that the Board will correspond at a Board level with the Christchurch City Council (with respect to cash settlements with the Council) should this be required. Noted that Management should, in all dealings, be confident of its ability to defend settlement decisions to reinsurers. Noted that any financial decisions outside of Management's delegations would come to the Board for approval and confirmation prior to implementation. Provided Management with support to address any complaints from cash settlements that would otherwise have been in the managed repair programme. 	<ul style="list-style-type: none"> ongoing and unnecessary overheads. settle properties in the 'on hold' category, whose owners have deferred repairs multiple times despite EQC's attempt to commence repair or rebuilding works. In relation to claimants in this category, Management should act reasonably and on the basis that the claimants are fully aware of the reasons prior to EQC making the cash settlement. to settle claims where pre-existing risk factors make it difficult to isolate individual costs or to co-ordinate repairs. The discretion should be implemented taking into account householder circumstances (particularly the vulnerable and elderly). <p>n) Confirmed retention of the threshold for under \$15k settlements.</p> <p>o) Noted that on the above basis, the Board confirms the new full completion date of December 2014 and endorses Management's release of this new date to the media on Management's advice that this date is achievable.</p> <p>p) Noted that Management should consult with the Chair as to the content of the next report to the Minister including assessment of risks to achieving new target date, such as:</p> <ul style="list-style-type: none"> Change in expectations or requirements from the Minister/Government Another significant event Fletcher EQR relationship – will require incentive to contract to EQC until December 2014. <p>q) Directed Management to bring to the next Board meeting an update on progress with settling HCNZ and CCC claims.</p> <p>ACTION:</p> <ul style="list-style-type: none"> Management to keep the Board informed of examples of where discretion has been implemented to cash settle claims that would otherwise have been in CHRP as discussed.
<p>9.</p>	<p>Land update The Chair acknowledged the achievements and progress made to date by EQC, noting this should not be diminished in value but also noting that there is still a lot to achieve in an environment of less tolerance, lower patience and a tiring workforce.</p> <p>Management spoke to the presentation noting:</p> <ul style="list-style-type: none"> The communication challenge required to manage customer expectations and improve community understanding of EQC's land cover. That cash settlement for Land is the preferred option 	<p>The Board:</p> <p>a) Confirmed that consistent with this position on the CHRP, settlement of land claims by December 2014 remained the target.</p> <p>b) Confirmed that to achieve this outcome and capture the benefits of reduced claims handling expenses, better community outcomes and certainty on EQC's ultimate claims liability, the costs and uncertainty of litigation should be avoided where justifiable.</p> <p>c) On DOV:</p>

<p>although there are some calls for an 'oversight body' to ensure land remediation/repairs are undertaken where necessary.</p> <ul style="list-style-type: none"> • That EQC will not be volunteering to take on this 'oversight' role and ultimately sees this as sitting with CERA or private insurers. It is easier for the insurer or homeowner to coordinate timing of land and dwelling repairs in a cost effective manner. • Noted that flat land - green zone property assessments are progressing well with current projections showing that all assessments will be completed by December 2013 and settlements completed by December 2014 on the understanding that a resolution for Category 8 and 9 properties has been reached. • Noted that Management is currently working on a settlement strategy for Category 8 and 9 with settlement commencing later in 2013. • Noted that, at present, the focus is on green zone land settlement. There are around 185 properties in the residential red zone have not accepted the CERA offer and these will need individual assessments. The remaining red zone properties will also need to be assessed and Management has discussed with CERA the 'bulk settlement' of these claims. • Noted that legal challenge is highly likely on Land claim settlements. • Noted that while the discussion on building claims was 'how do we speed up', the discussion on land is more about 'how do we shorten the tail?' and thereby avoid unnecessary overheads and other costs. In each case, the Board must always deal with claims in accordance with the EQC Act. • Recommended that the Board allow Management to finish the current repair methodology trials, and work to get these methods approved by MoBIE. In parallel to this work, Management will continue to investigate alternative cost effective repair techniques. This would allow Cat 8 claims to be settled either on the basis of a proven and cost-effective repair method or, should the cost of repair exceed the maximum amount available under the EQC Act, at "cap". • Noted that if successful, the land trials will provide an 'in situ' repair technique that will eliminate the need to apply Diminution of Value (DoV) to category 8 damage, and mitigate potential litigation issues from insurers. • Advised that communication packs are being created and various discussions are being undertaken across a number of professional bodies to mitigate potential litigation from customers who don't understand the methodology and reasoning behind EQC's settlement of Category 8 and 9 damaged properties. 	<ul style="list-style-type: none"> i. Noted that EQC needs to establish the most cost effective repair solution that is technically robust and 'consentable'. ii. Agreed that where a repair solution was available, this, rather than DOV, should be the basis of settlement. iii. Noted that DOV as a basis of settlement may be appropriate for properties with Category 9 damage. <p>d) On Section 19:</p> <ul style="list-style-type: none"> i. Agreed that on the balance of advice on the 'strongest' interpretation of S19, its preference was to avoid litigation by either seeking a declaratory judgment or moving immediately to settle on the 'stronger' interpretation. ii. Requested Management to advise its preferred option as soon as practicable. <p>e) On Section 124:</p> <ul style="list-style-type: none"> i. Confirmed its position that the application of S124 does not constitute physical loss or damage in terms of the EQC Act.
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a) Diminution of Value

The Board:

- Discussed the workability and future acceptability of DOV as applied to Category 8 damage and expressed a preference for settlements to be based on engineering solutions that are tested, consentable and meet EQC's strategy obligations.
- Noted that the DOV may be an acceptable basis of settlement for Category 9 damage, where repair methods are unavailable and precedent exists for the impact on values of increased susceptibility to flooding.
- Expressed a preference where the home is in situ and where DOV is not the basis of settlement, not to pay the notional cost of demolition of the house and 'enabling works' unless clear intent to demolish is established.

b) Section 19

The Board:

- Discussed the interpretation of Section 19 and the appropriate response to advice [REDACTED]
- [REDACTED]
- Noted that EQC's preferred options are to:
 - Continue with its current interpretation;
 - Settle on the basis of the "stronger" interpretation;
 - Seek a declaratory judgment to settle the matter.
- Expressed a preference to avoid litigation on this matter to minimise hold-up of land settlements.
- Sought an estimate from Management of the costs of the alternative interpretation (i.e. the claim liability costs)
- Agreed that either a declaratory judgment or proceeding straight to settling on the "stronger" basis interpretation were preferred options.
- Requested Management to advise the Board asap on the preferred option.
- Agreed that if a declaratory judgment was the preferred option, Management should have discretion to negotiate a sharing of costs with opposing counsel.
- Emphasised that, in exploring option to maintain pace and minimise the costs and potentially adverse consequence of unsuccessful litigation, compliance with the Act remained paramount.

c) Section 124

- Partly in light of the O'Loughlin case, the Board confirmed its current position that the application of Section 124 does not constitute damage for the purposes of the EQC Act.

9(2)(h)

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**MINUTES OF THE MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION**
Held in the Pukeko Room
53 Princess Street, Christchurch
Friday 12 July 2013 at 9.30am

Present:
M C Wintringham (Chair)
D K Bovaird
R J Black
G M Smith
Sir M L Wevers
K B Taylor
T Burt

In attendance:
I Simpson (Chief Executive)
B Dunne (General Manager Strategy, Policy and Legal) - part meeting
B Emson (General Manager Customer Services) -part meeting
H Cowan (General Manager Reinsurance, Research and Education) - part meeting
9(2)(a) (Acting Chief Risk Officer) – part meeting
J Ford (Chief Legal Advisor) – part meeting
9(2)(a) (Principal Policy Advisor) – part meeting
J Thomassen (Manager Risk & Insurance) – part meeting
9(2)(a) (Minutes)

Apologies:

The meeting was declared open at 9.30am

	AGENDA ITEM	
1.	<p>Present and Apologies</p> <p>There were no apologies recorded.</p> <p>The Board confirmed that there were no interests not otherwise declared on any agenda items.</p>	
2.	<p>Minutes of Board Meeting of 14 June 2013</p> <p>The Board considered the minutes, provided amendments and agreed as to their accuracy.</p>	<p>The Board:</p> <p>a) Subject to the amendments, approved and confirmed the minutes of the meeting held 14 June 2013 as a true and accurate record.</p>
3.	<p>Matters arising</p> <p>The Chair:</p> <ul style="list-style-type: none"> Requested that the Good Governance Guidelines 'June 4.2' be distributed to all Board members. Agreed that the final numbers for the CHRP programme will be finalised at the next Board meeting. Requested an update on the discussions with Southern Response. Noted under Matters arising that the Procurement and Contract Management Strategy is required to be provided to the Board prior to finalising the annual accounts. A copy of this document is required to be forwarded to the Board and Michael, Denise and Giselle given they were on the Board during this time. 	<p>The Board:</p> <p>a) Noted the matters arising and agreed upon the status of each item.</p> <p>b) Agreed that Management will lead a discussion with 9(2)(a) on a broad view of natural disaster risk in New Zealand and a combined view on recovery.</p> <p>ACTION</p> <ul style="list-style-type: none"> Board Executive to distribute copy of the Good Governance Guidelines to all Board members. Management to distribute the Procurement and Contract Management strategy to the Board including all incumbent Board members. Management to provide an update to the Board on EQC's process and treatment of Asbestos.

	<p>The Board:</p> <ul style="list-style-type: none"> Discussed asbestos, reinforced the importance of this issue and EQC's responsibilities in this regard with the CHRP and requested management bring an update to the August meeting. 	
	<p><i>Bryan Dunne, Bruce Emson and Jeremy Ford joined the meeting at 9.53 am.</i></p> <p><i>Keith Taylor joined the meeting at 10.34am.</i></p>	
<p>4.</p>	<p>Chief Executive Report</p> <p>The Chief Executive (CE) presented the Report taking the report as read.</p> <p>Management provided and discussed:</p> <ul style="list-style-type: none"> An update on the current OIA situation noting that in the past few weeks more OIA's have been closed than received. The litigation update noting that a further three cases have been lodged subsequent to the Board papers being finalised. The relationship with Crown Law noting engagement has primarily been when seeking second opinions. Treasury's main focus is the risk to the Crown on land settlement issues. The current status of the litigation issue on the injunction against M Krieger [2](h) <p>The CE provided:</p> <ul style="list-style-type: none"> An update on the progress of the Hub restructure programme noting that consolidation of hubs and staff consultation is underway with a projected December 2013 completion date. An update on discussions with Southern Response on land issues. Management is building a pragmatic test case as a result of the land remediation trials. Noted that management is seeking efficient techniques that meet time and cost requirements for land repair solutions. Noted that it is necessary to secure industry wide agreement on land repair solutions to mitigate litigation. <p>The Board:</p> <ul style="list-style-type: none"> Discussed the communications strategy around the hub rationalisation programme and endorsed Managements' approach. Noted that the Board's preferred position is to settle category 8 damage using engineering solutions that are tested, contestable and meet EQC's strategic obligations. 	<p>The Board</p> <ul style="list-style-type: none"> Noted the contents of the Chief Executive Report. Endorsed Managements approach to seeking a whole of government approach to litigation particularly from Crown Law. Noted the settlement recommendation for Cathedral Junction. <p>ACTION</p> <ul style="list-style-type: none"> Management to prepare a briefing to the Minister to seek a mandate from the Attorney-General for EQC to use Crown Law on a case by case basis. Management to provide in the next CE's report some options to the Board as to continued action against M Krieger.

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	<ul style="list-style-type: none"> • Noted that Management should seek convergence between EQC and other insurers on category 8 land settlements. • Advised that the Board supports Management to engage with Government as EQC develops its response to Land settlement. • Noted that Management should be mindful of seeking resolutions for the Canterbury rebuild where these potentially create a negative impact on future policy perspectives on a National basis. • Noted that the consistent policy is that EQC meets the costs of natural disaster damage (connection between an event and a physical change in the land) and EQC's liability (where practicable) is to restore the land back to its status prior to the event. • Noted that EQC has determined that Category 8 and 9 damage meet the criteria above, however this does not extend to 'new knowledge' or 'increased risk aversion' as determined by either Local Council or Building Code. If the building code changes as a result of the events, EQC is not liable for repairing the land to the new code. • Noted that Category 9 damage 'susceptibility to flooding' has additional complexities in that EQC is liable for fixing damage to the land, but where the land is unchanged but bordered by an estuary that floods more frequently this is outside of EQC's responsibility. • Noted that for Category 8, increased susceptibility to liquefaction is accepted as damage. • Noted the importance of successfully defending litigation by 'opt out' customers who have exceeded EQC's scope of works and are suing for the difference in costs to prevent further litigation. • Discussed Crown Law's involvement in providing advice to EQC on the current litigation. The Board expressed a strong preference for EQC to seek Crown Law support, given the risk to EQC of significant litigious activity. • Noted that Crown Law's involvement in Court carries additional weight as they are recognised as representing the Government. 	
	<p><i>Jeremy Ford left the meeting at 10.52am</i></p>	
<p>4.1.</p>	<p>Business Performance Report (BPR)</p> <p>The Board:</p> <ul style="list-style-type: none"> • Advised Management that some of the figures in the Claims Cost and Reinsurance Coverage table were incorrect. • Requested clarity from Management as to how legal costs are defined in the financial report. • Discussed the current status of the vulnerable repair categories noting that there are circa 18,000 people in this category 	<p>The Board</p> <p>a) Noted the contents of the Business Performance Report.</p> <p>ACTION</p> <ul style="list-style-type: none"> • Management to provide details of legal costs in the Litigation update each month.

	<ul style="list-style-type: none"> Considered the financial report for the month noting that these are preliminary results and will be finalised in August at the Audit and Risk meeting for confirmation by the Board at their August meeting. <p>Management:</p> <ul style="list-style-type: none"> Noted that there are three categories and definitions of vulnerable claims Tier 1, 2 and 3 which is aligned with CERA and the insurers. Noted that apportionment excluding the red zone and multi-unit properties will be completed by the end of December 2013. Provided the Board with a detailed update on the current status of Customer Complaints Resolution and Mediation. 	
<p>4.2.</p>	<p>Health and Safety Report</p> <p>Management:</p> <ul style="list-style-type: none"> Noted that they are confident that EQC is following the correct process and guidelines in dealing with Asbestos. 	<p>The Board</p> <p>a) Noted the contents of the Health and Safety Report.</p>
	<p><i>The Meeting broke for Morning Tea at 11.28 am</i> <i>Bryan Dunne left the meeting at 11.28 am</i> <i>The Meeting resumed at 11.37 am.</i> <i>Hugh Cowan entered the meeting at 11.37 am.</i></p>	
<p>5.</p>	<p>Ground Improvement Trials (GIP)</p> <p>Management:</p> <ul style="list-style-type: none"> Noted that the "TRex" testing is close to conclusion. This will be followed by an 'autopsy' to understand what happened to the land followed by blasting to emulate liquefaction. Noted that as part of the GIP, EQC needs to establish a fair basis for pricing and to this end are working on a proposal with insurers to be regulated by MBIE. Noted that the pilot scheme for repairs on bare land can commence in the next two months. Noted that trials for land remediation where there is a house in situ will take longer. Provided assurances to the Board that these trials will seek to provide a repair method that is consentable and cost effective. Noted that approximately 10% of properties in TC3 may require some component of ground improvement and new foundation. Noted that with the release of definitive category 8 and 9 information from T and T, EQC can establish a sound technical basis for calculating a liability. Noted that Management will work with the insurers to jointly understand the cost of these solutions. Insurers are liaising very closely with EQC on this process. 	<p>The Board</p> <p>a) Noted the contents of the Ground Improvement Trials update.</p> <p>ACTION</p> <ul style="list-style-type: none"> Management to provide an update to the September Board meeting as to how the Ground Improvement Trials are progressing.

	<p>The Board:</p> <ul style="list-style-type: none"> Endorsed Managements' approach and noted advice that the Technical Steering Group will be established to gain consensus of operationalising the repair strategies. 	
<p>6.</p>	<p>Canterbury Home Repair Programme (CHRP)</p> <p>Management distributed and spoke to the presentation for discussion advising:</p> <ul style="list-style-type: none"> That the full and final settlement of 5,800 dwelling claims with Housing Corporation of New Zealand has been signed off by their Board. That further discussions with the Christchurch City Council are required and Management seeks the Board's approval to settle up to \$15 million. <p>The Board:</p> <ul style="list-style-type: none"> Noted the recent issues around the Christchurch City Council consenting process. Noted that Management is undertaking an audit of any properties that have had consents issued to ensure there are no current or potential future issues. Noted that it is essential that in the 'opt out' situation it is imperative that EQC is overt with the scope of works and risks that the customer faces if they choose to cash settle. 	<p>The Board</p> <ol style="list-style-type: none"> Noted and endorsed the programme. Endorsed the settlement with Christchurch City Council. Agreed that Management could settle with Christchurch City Council up to a cost of \$15 million.
<p>9(2)(a)</p>	<p>Hugh Cowan left the meeting at 12.33 pm [redacted] Jeremy Ford and Bryan Dunne entered the meeting at 12.34pm.</p>	
<p>7.</p>	<p>Section 19 update</p> <p>Management:</p> <ul style="list-style-type: none"> Provided an overview of the statistical data analysis of the historical claims settled in the Port Hills. Noted that a desktop exercise will be required to recalculate previous assessments on the basis of the earlier interpretation of the Act. Agreed to come back to the Board with the operational impact of implementing this new settlement process. <p>The Board:</p> <ul style="list-style-type: none"> Discussed the literal reading of Section 19 in the Act as the basis for settlement being <ol style="list-style-type: none"> a global cap and a 'whole wall' valuation [redacted] <p>9(2)(h) [redacted]</p>	<p>The Board:</p> <ol style="list-style-type: none"> Agreed to proceed with the most credible interpretation and advised Management to report back on the operational implications of this. Confirmed the decision to interpret Section 19 on the 'stronger' defensible legal position. Agreed that EQC should proceed to settle outstanding land claims in accordance with the strongest interpretation of the EQC Act 9(2)(h) [redacted] (full wall/single cap). Agreed that EQC should revisit land settlements made to date relating to land claims for the Port Hills and make additional payments if and as required in accordance with the strongest interpretation of the EQC Act.

9(2)(h)

	<ul style="list-style-type: none"> • [REDACTED] 	<p>e) Agreed that EQC should proactively revisit land settlements outside of Canterbury that were paid [REDACTED] 9(2)(h) and may revisit other land settlements on a case-by-case basis.</p> <p>ACTION</p> <ul style="list-style-type: none"> • Requested Management to produce a communications plan for how these changes should be explained to key stakeholders and interested parties.
	<p><i>The Meeting broke for lunch at 1.00pm. Bryan Dunne, [REDACTED] and Jeremy Ford left the meeting at 1.00pm.</i></p> <p>9(2)(a)</p> <p><i>The Meeting resumed at 1.40pm Jane Thomassen and [REDACTED] entered the meeting at 1.40pm.</i></p>	
<p>8.</p>	<p>Audit and Risk update</p> <p>The Chair of the Audit and Risk committee provided an overview of the Audit and Risk meeting for the Board's information.</p>	<p>The Board:</p> <ul style="list-style-type: none"> a) Noted the Minutes of the ARC meeting held on the 27 May 2013. b) Noted the ARC Terms of Reference (TOR) update paper. c) Agreed to the changes in attendees recorded in the TOR subject to minor amendments.
<p>9.</p>	<p>Risk Review and Appetite</p> <p>Management spoke to the presentation noting:</p> <ul style="list-style-type: none"> • That they are seeking establish what the Board's understanding and assessment of risks is. <p>The Chair:</p> <ul style="list-style-type: none"> • Noted that as an organisation, we have been operating in an environment where we have been building our systems and processes at the same time as 'doing' the business at hand. Because of this we haven't had opportunities to look at the bigger picture. • Noted that once the risks are identified by Management, the Board should discuss and assess one or two risks and determine their status on the risk register. <p>The Board:</p> <ul style="list-style-type: none"> • Expressed a preference for Management to bring the Risk register to the next meeting for the Board to rate these risks. • Noted that once risks are identified the Board will instruct Management with the risks to focus on and be accountable for. 	<p>The Board</p> <ul style="list-style-type: none"> a) Noted the different status of risks, for example the overriding responsibility for the safety of our staff; the absolute need for statutory compliance (eg OIA's); and the reputational risks associated with poor performance. <p>ACTION:</p> <ul style="list-style-type: none"> • Management to incorporate the current risk register into the Strategic Outcomes and Key risk areas for analysis of risk status and risk appetite and bring back to the Board in September.

	<ul style="list-style-type: none"> Noted that it is seeking satisfaction that key risks in order to achieve objectives are identified and monitored Noted that the discussion required is risk appetite rather than risk identification. Identified that two key risks are: <ul style="list-style-type: none"> Confidence in the entity and its ability to carry its mission forward. Relationship status with City council and other key stakeholders. Noted that EQC's reputation is key as EQC is a Crown Agent. 	
	<p>Jane Thomassen and [REDACTED] departed the meeting at 2.50pm.</p>	
<p>10.</p>	<p>General Business</p> <p>The Board discussed the status of content and the draft report by the Auditor General on the Audit Report.</p> <p>The Chair:</p> <ul style="list-style-type: none"> Acknowledged that this is Denise Bovaird's last meeting and thanked her for her constructive and supportive contribution to the Board and to the Audit and Risk Committee as Chair. Confirmed that Peter Hughes has formally resigned as a result of his appointment as Secretary of Education. <p>The Deputy Chair:</p> <ul style="list-style-type: none"> Requested that the Minute be recorded acknowledging Michael Wintringham's last Board meeting. 	<p>ACTION</p> <ul style="list-style-type: none"> The Chair to contact the Office of the Auditor General to secure a copy of the revised report prior to it being released outside of the organisation. Management to arrange for a meeting between the OAG and the Board. <p>The Board records its appreciation of the leadership of Michael Wintringham as he concludes his term as a member of the EQC board after 9 years, including 7 years as Chairman. Michael's term coincided with the most challenging period in EQC's history in responding to the Christchurch earthquakes of 2010-11. This placed considerable extra demand on Michael, which he accepted without hesitation and at some personal cost. His experience and expertise has been invaluable to the Board and Management as EQC almost immediately transformed from a 23 person stable organisation to a 1500+ person organisation facing some of the most complex and challenging circumstances ever seen in New Zealand. He has also been able to interact with the Minister and his advisers in such a way as to ensure the Minister's continued support for and confidence in EQC. His calmness and ability to guide us through difficult decisions have been instrumental in ensuring a cohesive and effective Board and Management.</p>
	<p>The next Board meeting will be on Friday 16 August 2013 in Wellington.</p> <p>The Meeting closed at 3.05 pm.</p> <p>These minutes were approved by the Board as a true and correct record.</p> <p>_____ Sir M L Wevers</p> <p>_____ Date</p>	

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**MINUTES OF THE MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION**
Held in the Majestic Centre Board Room
Level 20, 100 Willis Street, Wellington
Friday 16 August 2013 at 9.00am

Present:
Sir M L Wevers (Chair)
R J Black
G M Smith
K B Taylor
T Burt
R Bell

In attendance:
I Simpson (Chief Executive)
B Dunne (General Manager Strategy, Policy and Legal) - part meeting
B Emson (General Manager Customer Services) - part meeting
[REDACTED] (Principal Policy Advisor) - part meeting
[REDACTED] (Communications) - part meeting
[REDACTED] (Y & R Agency) - part meeting
(Minutes)

9(2)(a)

Apologies:

The meeting was declared open at 9.10am

AGENDA ITEM		
1.	<p>Present and Apologies</p> <p>There were no apologies recorded.</p> <p>The Board confirmed that there were no interests not otherwise declared on any agenda items.</p>	
	<p>The Chair made some brief introductory remarks prior to commencing the formal agenda.</p>	
2.	<p>Minutes of Board Meeting of 12 July 2013</p> <p>The Board considered the minutes, provided amendments and agreed as to their accuracy.</p> <p>Management submitted suggested amendments provided by Legal Counsel.</p> <p>The Board agreed to adopt the recommended amendments.</p>	<p>The Board:</p> <p>a) Subject to the amendments, approved and confirmed the minutes of the meeting held 12 July 2013 as a true and accurate record.</p>
3.	<p>Matters arising</p> <p>The Chair:</p> <ul style="list-style-type: none"> Noted the Minister has requested an update on the Hub Rationalisation Strategy and Management is to provide a briefing to the Minister. 	<p>The Board:</p> <p>a) Noted the matters arising and agreed upon the status of each item.</p> <p>ACTION</p> <ul style="list-style-type: none"> Management to provide a briefing to the Minister on the proposed Hub Rationalisation strategy.

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	<p><i>Bruce Emson and Bryan Dunne joined the meeting at 9.30am</i></p>	
<p>4.</p>	<p>Chief Executive Report</p> <p>The report was taken as read. The Chief Executive (CE) spoke to the Report.</p> <p>Management:</p> <ul style="list-style-type: none"> • Noted that MBIE has requested a meeting to discuss whether changes to MBIE's current advice on appropriate repair strategies where Asbestos material may be present are warranted. • Noted that this was one of a number of issues and uncertainties with guidance issued by other government agencies (including MBIE) that add to uncertainties with respect to EQC's responsibilities under the EQC Act • Advised that within current litigation there is a Section 124, Building Act 2004 (dangerous building notice) legal case to be heard which EQC is defending. At issue here is whether the existence of the section 124 notice constitutes physical loss or damage under the EQC Act i.e. is it either actual or imminent physical loss or damage to the insured building? • Provided an update on the Spencerville test site noting these claims are now settled and EQC has exercised its salvage rights over the residential land involved. Noted that a strategy for holding or disposing of this land will need to be addressed at a future date. • Provided the Board with an update on discussions with the Christchurch City Council about the Council's dwelling claims. Management noted that a potential issue as to the status and extent of their insurance cover has arisen. Once this issue is clarified, there is a willingness from the Council to 'do a deal'; and a deal may be done, provided the Council has an entitlement. <p>The CE:</p> <ul style="list-style-type: none"> • Noted that a meeting is scheduled with the OAG to discuss their draft CRRP audit report. • Noted that the first draft of the Ombudsman reports on OIAs is expected this month. • Noted that a meeting occurred between Management and the Human Rights Commissioner providing feedback on the first draft of their report. • Noted that the Department of Internal Affairs (DIA) has indicated its intention to review EQC's compliance with the Public Records Act 2005. • Noted that a building lease requires approval for execution by the Board. The building is to be used to process settlements and accommodate staff engaged in settling the Cook Strait claims event. • Provided an update on the papers submitted by email to the Board from the Audit and Risk Committee on the ILVR and Financial Statements to 30 June 2013 seeking Board approval. 	<p>The Board</p> <ul style="list-style-type: none"> a) Noted the contents of the Chief Executive's Report. b) Agreed that for entering Leases and Deeds up to a quantum (\$250,000), the power to act is delegated to the Chair and one other Board member. c) Agreed to accept the ILVR as at 30 June 2013 as varied by the supplementary letter dated 13 August received from Melville Jessup Weaver (MJW) that removed DoV and utilized an 85% probability of adequacy, as a fair and reasonable representation of EQC's liabilities. d) Agreed the financial information provided in the Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Financial position are provided to Treasury. <p>ACTION</p> <ul style="list-style-type: none"> • Management to identify at the meeting with MBIE that there is a cluster of issues (not just asbestos) that need to be discussed. Management to, and bring a report back to the September Board meeting. • Management to report back at the September Board meeting on Management's meeting with the Office of the Auditor-General (OAG). • Management to report back to the September Board meeting as to the status of the Christchurch City Council insurance situation. • Management to bring to the Board at a future meeting the strategy for dealing with land taken as 'salvage', specifically Spencerville.

	<p>The Board:</p> <ul style="list-style-type: none"> Noted that the implications of a change in MBIE's policy for treatment of asbestos are wide ranging. Noted that Crown Law should be drawn on to provide legal advice on key precedent cases, particularly those with a reputational element or impact and that a meeting with the Attorney General and Solicitor General is being arranged. Discussed EQC's advice that a Standard's and Poor's rating is no longer required and agreed that as EQC is a Crown entity with a Crown guarantee, there is no requirement for EQC to obtain this rating. Noted the discussion document for the Review of the EQC Act is under preparation, with Treasury expecting the Government will release this discussion document in October/November 2013. Treasury has indicated it will consult with the Board prior on a draft version of the document. 	
	<p><i>Emma Hicks joined the meeting at 10.00 am</i></p>	
<p>4.1. Business Performance Report (BPR)</p>	<p>The Board:</p> <ul style="list-style-type: none"> Acknowledged the milestone of achieving the completion of the apportionment of "over cap and near cap" (\$80,000 and above) claims. Advised that the dashboard that goes to the Minister has been well received. Requested an update on Multi-unit building (MUB) claims. Noted the data on vulnerable people (p. 13) appears to show that repairs for the vulnerable are progressing no faster than for the general population. Discussed Management's strategy to address open complaints. Suggested that the complaints graph also reflects the customer feedback surveys in order to provide a balanced view of customer feedback. Asked how the 90 day data will be used. <p>Management:</p> <ul style="list-style-type: none"> Noted the number of MUBs has now been determined. Management is actively working with insurers to try to finalise settlement of these properties. <ul style="list-style-type: none"> Noted that good progress is being made, but it is a complex process. Noted that EQC operations, policy and legal teams are seeking to meet with DPMC and Treasury to discuss policy, legal and operational matters regarding MUBs. These matters may require central agency assistance in order to resolve them. Noted that EQC is managing the data sharing required and is conscious of ensuring security of data. 	<p>The Board</p> <ol style="list-style-type: none"> Noted the contents of the Business Performance Report. Extended the Board's appreciation to the relevant staff on achieving the completion of apportionment of the over cap and near cap (\$80,000 and above) claims. <p>ACTION</p> <ul style="list-style-type: none"> Management to pass on to relevant staff Board appreciation of their efforts in achieving the milestone of having completed the apportionments for \$80,000 and above claims. Management to bring to the September Board meeting an update on the status of the claims for those classified as vulnerable, noting: <ul style="list-style-type: none"> Data that requires cleansing. Steps that can be taken to make this go faster. How Management can facilitate or accelerate the processing of claims for those classified as vulnerable, working in collaboration with the City Council, MSD and non-government agencies.

	<ul style="list-style-type: none"> Noted analysis suggests information on settlements for vulnerable cases may be being underreported. Noted the complaints data Included information requests and that these information requests should be excluded from future reporting. Noted that a revision of the Business Performance Reporting is underway which will address and ensure that the data presented to the Board is clearer – particularly around complaints. Provided assurance to the Board that the 90 day data will be utilised. Distributed a progress and identity report for the claims received and progress made for claims resulting from the Cook Strait event, noting that lessons learned from Canterbury have been implemented. <p>The Chair noted that he sits on the Audit and Risk Committee of the Ministry of Social Development (MSD) where the issue of vulnerable people had been discussed, and that the feedback has been positive about their engagement with EQC.</p>	
<p>4.2.</p>	<p>Health and Safety Report</p> <p>Management and the Board discussed the Health and Safety report:</p> <ul style="list-style-type: none"> Noting asbestos remains the primary issue of public interest. Noting that Management is seeking to get a sense of safety conversations that are occurring. Noting Management is looking at lead indicators. Noting that the Health and Safety Board Committee (HSBC) is working well. Noting that the Board is seeking to increase the number of occasions that the Board meets in Christchurch to demonstrate to the staff that the Board is there to support them. 	<p>The Board</p> <p>a) Noted the contents of the Health and Safety Report.</p>
	<p>joined the meeting at 10.15 am</p>	
<p>5.</p>	<p>Section 19 update</p> <p>Management provided a brief overview of the content of the paper:</p> <ul style="list-style-type: none"> Noting the estimated financial impact of the implementation of applying the strongest legal interpretation of section 19. Noting that applying the strongest legal interpretation of section 19 could add up to approximately six months in terms of completing the Port Hills (with consequential flow on effects for the Flat land properties). Noting that there are key implications for reputational risk. Noting that a strong communications strategy is required in terms of timing, content and targeting of the communications of this revised section 19 approach. 	<p>The Board</p> <p>a) Noted that Management:</p> <ul style="list-style-type: none"> Agreed to present to the August 16th Board Meeting a report on the impact of operationalising the amended settlement process. <p>b) Noted:</p> <ul style="list-style-type: none"> The additional settlement costs for Port Hills only, based on applying the strongest legal interpretation of section 19, is now estimated at \$110 million;

	<p>The Board:</p> <ul style="list-style-type: none"> • Suggested an amendment to the Recommendation c (i) (3(a) of the Board Paper) to replace 'Port Hills' with 'Canterbury'. • Confirmed that the Board agreed at the July meeting to adopt the Section 19 stronger approach, and that the recommendations noted at this meeting are to confirm Management's continued approach. • Requested Management to look at the practicality of using Nelson as a test case, with a view to bringing to the Board a sample of settlements that occurred to determine the difference in how these would have been settled using the new and the old interpretation of section 19. • Noted that in terms of the Port Hills, around 30% of claims would not change as a result of the review of the interpretation of the EQC Act. • Noted that in circumstances where the review results in a change in settlement paid, this change will be advantageous to the customer; and in some instances materially so. • Noted that in no cases would customers receive a lower settlement as a result of the review of the interpretation of the EQC Act. 	<ul style="list-style-type: none"> ii. The financial impact on EQC is of implementing the Board decision regarding section 19 estimated at being between \$10-\$25 million in terms of operational expenditure and up to \$600,000 in terms of capital expenditure. iii. The rework required to the Port Hills settlements associated with applying the strongest legal interpretation of section 19 is assessed as adding up to six months in terms of completing the Port Hills settlements (with consequential flow on effects for the Flat Lands settlements); iv. The revised time frames outlined above are assessed as being a worst case scenario; and v. Revised time frames of June 2014 (Port Hills) and June 2015 (Flat Lands) are consistent with the timelines specified in EQC's current Statement of Intent. <p>c) Confirmed:</p> <ul style="list-style-type: none"> i. All Canterbury land claims be reviewed and settled, where applicable, on the basis of the strongest legal interpretation of section 19; ii. All land claims received by EQC on or after 19 March 2013 be assessed on the basis of the strongest legal interpretation of section 19; iii. All non-Canterbury land claims settled prior to 19 March 2013 are reviewed on a case-by-case basis based on information supplied by a client. <p>ACTION</p> <ul style="list-style-type: none"> • Management to advise the Board (via email) the practicality of applying resources to investigating a review of a section of Nelson landslip claims showing the two settlement figures using the old and new interpretation.
	<p>9.2(a) departed the meeting at 10.45 am. Bruce Emson departed the meeting at 11.00 am.</p>	
<p>6.</p>	<p>Value for Money in the CHRP</p> <p>Management:</p> <ul style="list-style-type: none"> • Noted that work had been underway on measuring "value for money" (VFM) in the CHRP. This work was looking at a range of measures, as CHRP is unique and no single measure is likely to be informative. • Advised that the draft report commissioned from an external consultant explores one aspect of VFM by focusing on one of the primary policy drivers namely 	<p>The Board</p> <ul style="list-style-type: none"> a) Noted the draft Value for Money in the CHRP report. b) Noted that while further analysis will be undertaken the costs are not out of line with expectations. c) Agreed to lend its support to an appropriate communications package around progress made to date and EQC's contribution to Canterbury since September 2010.

<p>inflation containment. This is consistent with OAG approaches to VFM.</p> <ul style="list-style-type: none"> • Noted that the draft report suggests that cost movement in CHRP has been lower than relevant indices, suggesting that the programme is providing value to the Crown in this aspect, but that it is more mixed over other time periods. • Noted that Management can report on this on a six monthly basis if the Board is happy with the findings. • Noted that robust benchmarking indices akin to 'tier one', ie: sourced from NZ Statistics have been used. • Noted this report enables EQC: <ul style="list-style-type: none"> ◦ to verify to the Crown that EQC under instruction to establish the PMO has derived value; and ◦ to highlight any key areas that would result in the Crown taking a different approach for future events. • Noted that Management is in active discussion with Fletchers regarding the PMO contract in terms of changing the completion date, and that this may offer an opportunity to address some incentives. • Noted that Management is keen to align with the Minister's office on releases to the media around value for money in CHRP. <p>The Board:</p> <ul style="list-style-type: none"> • Expressed some concern about the overall conclusions, noting that as EQC is the biggest player in this and that EQC is therefore setting the benchmark. • Sought clarity as to the purpose of this report and where it would be utilized, noting that the incentive for Fletchers to outperform itself are minimal. • Noted the process undertaken to calculate the weighted average cost may not be the best basis for constructing a comparator. Comparisons of contractor rate cards pre-Canterbury versus current Canterbury rate cards would be a good indicator of the percentage increase in contractor rates, noting the quantity of labour required impacted on the initial rates. The Board would prefer a rate card analysis as the prime indicator. • Noted that a quality measure may be the number of contractors that Fletchers have dropped out of the PMO as a result of insufficient standards. • Noted that a degree of caution needs to be applied to the findings as there are a number of indices that affect the results. • Noted that in terms of the repair programme, this report forms part of the story that shows that the PMO has been a success in terms of time, quality and cost. • Noted that as we approach the third anniversary of the September event, it is the time to go to the media with numbers of how many home repairs have been completed. Independent research commissioned on the costs of the CHRP, shows the costs are not out of control. • Noted that Fletchers results are due out shortly and this will trigger media enquiries. • Requested Management to draw together information on time, cost and quality in anticipation of a media release at the third anniversary of the September event. 	<p>ACTION</p> <ul style="list-style-type: none"> • Management to prepare a media release, and liaise with the Ministers office, ready for the third anniversary of the September event detailing the progress made and highlighting the success stories of the CHRP.
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	<p><i>Bryan Dunne left the meeting at 12.05 pm</i></p>	
7.	<p>Strategic Asset Allocation Benchmark</p> <p>Management:</p> <ul style="list-style-type: none"> Noted that since the Canterbury event, the portfolio is being aligned with liquidity requirements in order to settle Canterbury. As a result the (SAA) benchmark of 80% Fixed Interest and 20% NZ Cash has not been adhered to. <p>The Board:</p> <ul style="list-style-type: none"> Discussed whether the SAA is still a relevant benchmark and agreed that this is no longer appropriate in light of the earthquakes in Canterbury Noted agreement that this framework will cease to be applied until such a time as the Board decides to reinstate it. 	<p>The Board:</p> <ol style="list-style-type: none"> Noted the contents of the Strategic Asset Allocation (SAA) Benchmark paper. Agreed to discontinue the SAA for the purpose of Board Reporting and manage funds to a projected cashflow for the next three years Agreed that Management should bring to the September meeting projected cashflows and a reporting mechanism to clearly identify to the Board progress against these. <p>ACTION</p> <ul style="list-style-type: none"> Management to bring to the September meeting projected cashflows for the next three years showing progress against these cashflows.
8.	<p>Ground Improvement Trials update</p> <p>Management:</p> <ul style="list-style-type: none"> Noted the key driver for these trials is to find a real world, proven consentable, affordable technique for land claims settlement. A secondary benefit may be that, if the trials are successful, a competitive land repair market may develop, potentially lowering costs for all parties and avoiding the need to consider applying DoV to Category 8 settlements. Noted that excellent relationships have been established with the appropriate consenting parties including Housing NZ, CERA etc. however the Christchurch City Council may require further information and sustained contact so that works can be consented and endorsed by the building industry. Noted that currently this piece of work is being led by DPMC and EQC but ultimately this needs to be moved into MBIE. Noted that a number of insurers have provided properties to use as trial land but they are noncommittal when it comes to agreement as to the methodology. Noted that communications (media releases) will be implemented at the end of this year once there is a proven, consentable and approved methodology. <p>The Board:</p> <ul style="list-style-type: none"> Noted that the challenge will be the commercialisation of this process once a technical solution is arrived at. Sought clarification from Management as to the timing of communications releases on this piece of work. Provided endorsement for Management to contact DPMC on an urgent basis by correspondence emphasising that this trials process is accorded priority by the Board. 	<p>The Board:</p> <ol style="list-style-type: none"> Noted the preliminary results of ground improvements tested in June. Noted the commencement of Phase II testing. Noted and agreed the commencement of a collaborative land repair trial with private insurers, with results to be completed for review by December 2013. <p>ACTION:</p> <ul style="list-style-type: none"> Management to write to (DPMC) endorsing the Board's appetite to secure greater engagement with the necessary cross government agencies, consenting parties, insurers and ensuring commercial pathways are considered as this is a priority for the Board. Management to ensure consistency on the naming of the project "collaborative land repair trial" versus 'ground improvement trial' etc.

	<ul style="list-style-type: none"> Noted the Board will provide Management with all of the backing required as this is a matter of priority. 	
9.	<p>Crown Entities Amendment Act 2013</p> <p>The Board discussed and noted the content of the paper.</p>	<p>The Board:</p> <p>a) Noted the contents of the Crown Entities Amendment Act paper.</p>
	<p>9(2)(a) [REDACTED] (EQC Communications Team) and 9(2)(a) [REDACTED] (Y&R Advertising Agency) joined the meeting at 1.05pm.</p>	
10.	<p>Fix, Fasten, Don't Forget Campaign (presentation at meeting)</p> <p>Management presented the new campaign for the Board's information, noting that:</p> <ul style="list-style-type: none"> This campaign sits squarely in EQC's brief of preventing and reducing damage through education. For the past three years, the majority of EQC's customer communications have been targeted 'down south'. EQC is confident that it can improve its reputation in Canterbury and needs to have a different conversation with New Zealand picking up on the lessons learned from Canterbury. This campaign is in the early development stage. There is going to be a number of levels of engagement - namely through television, websites, other media and internally with staff. Securing awareness and action in this preparedness space from New Zealanders across the country is not an easy task. This campaign will be demonstrated to Minister Brownlee prior to release. There is a key opportunity to engage with New Zealanders, particularly outside of Canterbury while earthquakes are top of mind. EQC is looking into building partnerships with DIY retailers. <p>A copy of the presentation was distributed to the Board for their further information.</p> <p>The Board:</p> <ul style="list-style-type: none"> Noted that there is an appetite to move the reputation of EQC into a new space in terms of perception in the Canterbury market and New Zealand as a whole. Encouraged Management to investigate engagement with Master Builders and Plumbers to assist in providing services to homeowners. 9(2)(j) [REDACTED] <p>9(2)(a) [REDACTED]</p>	
	<p>9(2)(a) [REDACTED] (EQC Communications Team) and 9(2)(a) [REDACTED] (Y&R Advertising Agency) left the meeting at 1.30 pm</p>	

NOTE: SOME CONTENTS OF THESE MINUTES ARE SUBJECT TO LEGAL PRIVILEGE.

<p>11.</p>	<p>General Business</p> <p>The Board discussed the Majestic Centre Building Safety Report.</p> <p>The Board reviewed the list of EQC suppliers to identify potential conflicts of interest noting they will advise the Board Executive of any material interests.</p> <p>The Chair of the Health and Safety Board Committee provided a summary of the outcomes and key messages from the meeting.</p> <p>The Chair</p> <ul style="list-style-type: none"> • Advised the Board of his intention to travel to Japan and to attend an Institute of Directors course noting that a formal request for approval will be distributed to the Board. • Noted that both the new and existing members of the Board should be accessing the Director training offered by COMU. • Noted that the prepared Board Calendar for 2014 will be drafted and distributed for consultation by the end of next week. • Proposed that a Board Strategy day is held on the 10th October and sought confirmation of the Board members' availability. • Requested that Management provide a bullet point key messages on the intranet the week following the board meeting identifying key matters discussed and any milestones met. • Requested that Management include Board Committee updates as a standing item on future Board meeting agendas. <p>The Chief Executive provided an update to the Board on the appointments of Chief Financial Officer and Chief Risk Officer.</p>	<p>The Board:</p> <ol style="list-style-type: none"> a) Accepted Management's assurance that EQC's continued occupation of the Majestic Centre remains reasonable. b) Ratified confirmation of the Board approval and authorisation delegated to the Chief Executive for signing of the Agreement to Lease Level 1, Unit 3, Barry Hogan Place, Christchurch distributed by email dated 3 July 2013. c) Ratified confirmation of the Boards agreement to accept Management's assurance that EQC's occupation of the Majestic Centre continues to be reasonable in the wake of the Cook Strait earthquakes noting such requests should be endorsed by the CE. <p>ACTION:</p> <ul style="list-style-type: none"> • Management to prepare the draft 2014 Board meeting calendar and distribute to the Board for consultation. • Board Executive to book venue and make arrangements for Board Strategy Day for Thursday 10 October. • Management to develop a mechanism for delivering key messages from Board meetings to staff. • Board Executive to include 'Board Committee Updates' as a standing item in future Board meeting agendas.
	<p>The next Board meeting will be on Friday 13 September 2013 in Wellington.</p> <p>The Meeting closed at 2.30 pm.</p> <p>These minutes were approved by the Board as a true and correct record.</p> <p>_____</p> <p>M I Wevers</p>	
	<p>_____</p> <p>Date</p>	

NOTE: SOME CONTENTS OF THESE MINUTES
ARE SUBJECT TO LEGAL PRIVILEGE.

**MINUTES OF THE MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION**
Held in the Majestic Centre Board Room
Level 20, 100 Willis Street, Wellington
Friday 13 September 2013 at 9.00am

Present:
Sir M L Wevers (Chair)
R J Black
G M Smith
A C O'Connell
T Burt
R Bell

In attendance:
Bryan Dunne (Acting Chief Executive)
Bruce Emson (General Manager Customer Services) - part meeting
Emma Hicks (Acting Chief Financial Officer) - part meeting
Jane Thomassen (Manager Risk & Assurance) - part meeting
Linda Smith (Chief Information Officer) - part meeting
[REDACTED] (Service Delivery Manager) - part meeting
[REDACTED] (Senior Policy Analyst) - part meeting
[REDACTED] (Chapman Tripp) - part meeting
(Minutes)

Apologies:
K B Taylor

9(2)(a)

The meeting was declared open at 9.25am

	AGENDA ITEM	
1.	<p>Present and Apologies</p> <p>The Chair recorded apologies from Keith Taylor.</p> <p>The Chair welcomed Alison O'Connell to her first Board meeting.</p> <p>Alison O'Connell indicated that claims have been lodged with the Commission, as owner of a property, 9(2)(a) [REDACTED]</p> <p>The Board confirmed that there were no interests not otherwise declared on any agenda items.</p>	
2.	<p>Minutes of Board Meeting of 16 August 2013</p> <p>The Board considered the minutes, provided amendments and agreed as to their accuracy.</p>	<p>The Board:</p> <p>a) Subject to the amendments, approved and confirmed the minutes of the meeting held 16 August 2013 as a true and accurate record.</p>
3.	<p>Matters arising</p> <p>The Board discussed the matters arising and agreed as to the status of each item.</p> <p>Management advised:</p> <ul style="list-style-type: none"> That the cost estimates provided to the Board (and referred to in the CE Report) to review Nelson flood claims to assess the effect of the change in approach for Section 19 have been confirmed by Customer Services as reasonable. 	<p>The Board:</p> <p>a) Noted the matters arising and agreed upon the status of each item.</p> <p>b) Confirmed approval for expenditure relating to a series of EQC calls to be undertaken in Japan in September 2013 by the Chair, Sir Maarten Wevers</p>

	<ul style="list-style-type: none"> That the Hub Rationalisation update for the Minister has yet to go to the Minister as it is awaiting an update on some items at the Project Control Group on 30 September 2013. 	<p>ACTION</p> <ul style="list-style-type: none"> Management to send out to the Board the 'costs' of assessing Nelson claims. Management to re-open previously closed action point per below and provide an update at the next Board meeting. <ul style="list-style-type: none"> Management to initiate a discussion as to how EQC's Research and Education function sits alongside other National Risk Management and Risk Identification processes specifically noting: <ul style="list-style-type: none"> Effective measures of our effectiveness in the Research and Education space, particularly around GeoNet. Analysis on the amount we have invested being the correct amount and in the right areas. Analysis of how this funding links and levers to other leadership and management of National Infrastructure and Resilience."
<p>4.</p>	<p>Chief Executive Report</p> <p>The report was taken as read. The Acting Chief Executive spoke to the Report and:</p> <ul style="list-style-type: none"> Noted that non-disclosure agreements are in place with three major insurers which should enable Category 8 land trials to commence. The insurers are seeking an agreed communications strategy, in alignment with EQC, to ensure customers are provided with clear information. Advised that a land repair steering group meeting is scheduled for 19 September, with DPMC as chair, and this will discuss the consenting process with the Christchurch City Council (CCC) for the implementation of settlement for Category 8 land claims. Provided an update on the engagement with the DPMC whose four major work-streams include: <ul style="list-style-type: none"> Land and land issues Multi-unit buildings (complex claims) Future insurability Data sharing. Noted that an empirical basis for settling claims under Category 9 using DoV has been established. Noted that Management's preference is for the Board to approve the seeking of a declaratory judgment on the implementation of DoV. Noted that discussions are in process with the CCC to confirm the status of their insurance cover, if any. Noted that the team addressing OIAs has been increased from 4 people to 20 people, however, while the Inflow is being managed, the issue with how to address the 'stock' or backlog. 	<p>The Board</p> <p>a) Noted the contents of the Chief Executive's Report.</p> <p>ACTION:</p> <ul style="list-style-type: none"> Management to bring to the next meeting an update on meeting and progress made with the DPMC. Management to provide an update to the Board on the OIA situation at the October Board Meeting.

	<ul style="list-style-type: none"> • Noted that a new OIA manager has been seconded from IRD but as this role has just been filled, a report is unable to be presented at this meeting. • Noted that Management had sought to withdraw the Claims Centre options paper included in the Board pack (Item 8) and that after discussion with the Chair it was agreed that is for noting only as further consultation within the business is required prior to the Board confirming the recommendations. • Noted the litigation update and Management's view that at a future date, EQC will need to enforce their rights under the Earthquake Commission Act 1993 (cl 7(3) of Schedule 3) which puts the onus on the customer to provide documentation and proof of their claim. This provision is not currently enforced. <p>The Board:</p> <ul style="list-style-type: none"> • Noted that alignment with key decision makers (DPMC, Insurers, CCC) is crucial to ensure that the settlement of Category 8 land claims, once developed, is timely and able to be operationalised. • Noted that the s 19 communications strategy is an opportunity to explain to the customers affected (Port Hills) the volume of work and legal input that has been required to establish a settlement process for these properties. • Advised Management that the Board is seeking an update and strategy to address with OIAs at the next meeting. • Noted the update on the customers identified as vulnerable showing that these customers are being moved through the CHRP on a priority basis. <p>The Chair provided updates on:</p> <ul style="list-style-type: none"> • The meeting with the Office of the Auditor-General noting that a copy of the final draft report will be released to Management prior to its formal release. • The meeting with the CE and the Attorney-General and Solicitor General noting that a Protocol has now been implemented providing Crown Law support. 	
	<p><i>Bruce Emson joined the meeting at 10.13 am</i></p>	
<p>4.1.</p>	<p>Business Performance Report (BPR)</p> <p>The Board:</p> <ul style="list-style-type: none"> • Sought clarity as to Management's plan for re-deployment of staff whose roles are winding up as areas of the project are completed (i.e. contents claims team). • Advised that the Board is prepared to assist and engage with Fletchers, as required by Management, to assist in the implementation of the exit strategy. • Discussed the Board Strategy Day to be held on Thursday 10 October noting some of the key discussion points will be: 	<p>The Board</p> <ul style="list-style-type: none"> a) Noted the contents of the Business Performance Report. b) Noted that the Board had previously agreed to delegate power to act to the Chair and one other Board member to enter Leases and Deeds up to a quantum of \$250,000 per Lease. c) Agreed and approved, in principle, and subject to the Acting CE's advice the signing of the lease required for the additional property to establish the Hub in Blenheim Road.

	<ul style="list-style-type: none"> o Where are we going over the next 6, 12 and 18 months o Exit strategy from Canterbury o Review of the legislation o Shape of the new organisation <p>Management:</p> <ul style="list-style-type: none"> • Noted that the Hamilton office should be retained as an EQC office (processing centre) even as Canterbury is 'wound up'. • Noted that the workforce planning module has been developed to ensure qualified and trained staff are re-deployed into other areas of the business. • Noted that key stakeholders have been contacted regarding the hub rationalisation implementation. • Provided a brief overview of the relationship with Fletchers [REDACTED] (2)(g)(i) • Noted that the way forward with Fletchers may be to: <ul style="list-style-type: none"> o Explore options for an incentive structure (recognizing that consideration would need to be given to any impact on the tax payer and ILVR). • Noted that EQC may be liable for asbestos exposures caused by EQR work in customer homes. • Provided an overview of the progress for the Cook Strait event. • Provided a briefing of a public meeting attended in Ward (Marlborough) to discuss the Cook Strait events. • Advised that as a result of the Hub Rationalisation Strategy a facility in Blenheim Road is required to be leased and sought approval from the Board to commit to signing this lease. • Advised that the Acting Chief Executive was awaiting the results of legal review of the documents provided in relation to the lease proposal. • Provided an update to the Board on appointments for the CRO and CFO roles available. • Noted the Board's request to secure the services of a contractor in Seddon to assist in the facilitation of claims settlement. 	<p>ACTION</p> <ul style="list-style-type: none"> • Management to brief the Board at the October meeting as to staff engagement strategies relating to the 'wind down' of some aspects of Claims processing for Canterbury. • Management to explore the need for the services of a Community Liaison person for Seddon. • Management to continue working on the Fletcher exit strategy and keep the Board informed as to progress and any input required from the Board.
<p>4.2.</p>	<p>Health and Safety Report</p> <p>Management and the Board discussed the Health and Safety report:</p> <ul style="list-style-type: none"> • Noting the areas where ongoing focus needs to continue • Noting that an improved Management response to the 16 August event was evident when compared with the response to the July Cook Strait event. • Noted that the Safe Canterbury Rebuild initiative is now funded and Management has a presence on the sub-committee. 	<p>The Board</p> <p>a) Noted the contents of the Health and Safety Report.</p>
	<p><i>Bruce Emson left the meeting at 11.36 am.</i></p>	

4.3.	<p>Section 19 Communications Strategy</p> <p>The Board provided feedback noting that it presents a 'defensive' view and requires review prior to finalisation.</p>	<p>The Board</p> <ul style="list-style-type: none"> a) Noted the contents of the Section 19 Communications Strategy. b) Requested Management to review the Communications Strategy before finalisation.
4.4.	<p>Additional Bank Account required</p> <p>Management provided the Board with forms for completion to open a new account for readiness of collection of excess.</p>	<p>The Board:</p> <ul style="list-style-type: none"> a) Agreed to open one new ANZ bank account in readiness for the collection of excesses on managed repairs and recovery of payments. b) Agreed and approved that the Chair and the Chair of the ARC Committee sign the Institutional Account opening form.
4.5.	<p>Cook Strait Event – Field Office Lease</p> <p>A copy of the documentation previously distributed to the Board was confirmed and the decision ratified for the minutes.</p>	<p>The Board:</p> <ul style="list-style-type: none"> a) Confirmed the Board's prior agreement to delegate the power to act in relation to leases and deeds up to a value of \$250,000 per lease to the Chair and one other Board Member. b) Noted that the lease for 37 Marsden Street, Lower Hutt was executed per the above power to act on Friday 30 August 2013.
	<p><i>Emma Hicks joined the meeting at 11.44am</i></p>	
5.	<p>2013 Financial Statements</p> <p>Management provided a brief overview of the content of the paper and :</p> <ul style="list-style-type: none"> • Noted that there are no significant changes to the financial statements since the ARC approved these at the 27 August meeting. • Distributed a copy of the updated cashflow forecast as referred to this paper. 	<p>The Board:</p> <ul style="list-style-type: none"> a) Noted receipt of the Letter of Representation from Management. b) Noted the 2013 Financial Statements. c) Approved and agreed to delegate the signing of the 2013 Financial Statements to the Chair and Chair of ARC prior to 30 September 2013. d) Approved and agreed to delegate the signing of a copy of the Board Letter of Representation to Deloitte by the Chair and Chair of ARC.
6.	<p>Board Committee Updates</p> <p>The Chair of the Audit and Risk committee provided an update of key issues arising from the ARC meeting held on 27 August noting that the committee members will convene prior to each Board meeting to discuss key risks.</p> <p>The Chair distributed a paper noting the revised membership of the ARC.</p>	<p>The Board</p> <ul style="list-style-type: none"> a) Agreed to the appointment of Dr Alison O'Connell to the ARC, effective 14 September 2013. b) Agreed that Trevor Burt's term on the ARC will conclude on 13 September 2013. c) Confirmed that Keith Taylor remains on the ARC. d) Confirmed that Gordon Smith remain as Chair. e) Noted that the Chair of the Board will remain an ex officio member of the ARC.
	<p><i>Linda Smith and 9(2)(a) joined the meeting at 11.57am.</i></p>	

<p>7.</p>	<p>IT Road Map and Information Systems Strategic Plan (ISSP)</p> <p>Management:</p> <ul style="list-style-type: none"> • Noted that GCIO have been given a central role in overseeing IT assurance for the Crown. • Advised that the focus of the plan is to shift to a principles based model to allow the business flexibility to work with changing demands. • Discussed the key risks and success factors • Noted the systems most critical to the business have been identified and a work-stream proposed with key tasks and deliverables. This is included as the IT Roadmap. • Sought from the Board the level of their engagement and expectation of reporting required on this ISSP. <p>The Board:</p> <ul style="list-style-type: none"> • Noted the challenges faced in the IT systems environment and that this is both a critical component of the operation and a high priority for the Board with a particular focus on: <ul style="list-style-type: none"> ○ System stability ○ Management of load ○ Delivery ○ Scope for current business needs ○ Transition to future requirements • Noted that the strategic plan has now moved into a business led environment rather than IT led which provides the Board with more comfort that there is integration across the organisation. • Noted that engagement with external parties and oversight governance is crucial to ensure we have good assurance, strategic alignment, suiting business needs and future proofing, scalability etc. • Indicated that a quarterly update and review of the strategic plan should be brought to the board at a high level. • Noted the independent quality assurance function is critical and that an external audit of this plan will provide a level of comfort to the Board in terms of their accountability. • Sought assurance from Management that in the event of a situation where the Majestic Centre needs to be evacuated for any reason in short order that there is a strong plan in place to mitigate the impact on operations of this evacuation. • Noted that this strategy should be owned by ELT and that the Board holds the CE to account for deliverability. • Thanked the team involved for their contribution. 	<p>The Board:</p> <ul style="list-style-type: none"> a) Noted the Information Systems Strategic Plan for EQC which has been approved by the Executive Leadership Team. b) Endorsed the five strategic principles that will guide the development of the EQC Information Systems environment. c) Agreed that a quarterly update and high level review of progress against the strategic plan should be brought to the board <p>ACTION</p> <ul style="list-style-type: none"> • Management to bring a quarterly update and review of the ISSP to the Board.
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<p>8.</p>	<p>Claims Centre: Options Analysis</p> <p>Management:</p> <ul style="list-style-type: none"> Advised that the paper had not been subject to full consultation across the business and therefore the Board should simply note that Management will seek from the Board at a future meeting, likely to be the October meeting, a decision to investigate options to maintain, upgrade or replace the current Claims Management System (CMS): <p>The Board:</p> <ul style="list-style-type: none"> Noted that once the CMS assessment has been implemented, the Board's focus will be on the risks, including implementation risk and that this may require external parties' input at a governance or oversight level. Sought clarification as to whether EQC can move to a more customer based model to deal with the difficult claims (MUBs etc) so they have one claims manager from beginning to end. 	<p>The Board:</p> <p>a) Noted the Claims Management System options analysis paper.</p>
	<p>Linda Smith and 9(2)(a) left the meeting at 12.24pm.</p>	
<p>9.</p>	<p>Review of EQC Act</p> <p>The Board</p> <ul style="list-style-type: none"> Discussed and noted the content of the paper noting a concern that while EQC waits for the review of the Act to be finalised, decisions are being deferred. Discussed the membership of the EQC Act Review sub-group. Agreed that the sub-group would not be a formal sub-committee of the Board but would act as an advisory group. <p>Management</p> <ul style="list-style-type: none"> Advised that EQC is operating under the current Act and the Board's decisions with respect to the interpretation of the Act. Noted that the draft Discussion document is yet to be finalised and submitted to Ministers for discussion. Sought the Board's input into the membership of the Board Review sub-committee. 	<p>The Board:</p> <p>a) Noted the contents of the EQC Act Review Progress update paper.</p> <p>b) Reviewed and Confirmed membership of the Board sub-group.</p> <p>c) Agreed that Roger Bell and Alison O'Connell be appointed to the EQC Review sub-group and that Keith Taylor be appointed as Chair, together with the Chair of the Board (ex-officio).</p>

9(2)(a)

	<p>██████████ entered the meeting at 12.40pm.</p>	
<p>10.</p>	<p>Category 9 Land Settlement Pilot</p> <p>Management:</p> <ul style="list-style-type: none"> • Distributed a presentation to provide the Board the basis of DoV, the key aspects of the Category 9 pilot, the settlement principles, and legal strategy. • Noted that the normal 'measure of loss' in terms of insurance is the cost of repair, excepting in situations where repair is not possible or the cost of repair is disproportionate to the loss suffered. Noted that diminution of value is a recognised insurance concept. • Discussed and advised the Board of the benefits of achieving certainty on the application of DoV in the Courts on EQC's terms and noted that there were a number of options in regard to finding an opposing party – including the use of a Court appointed 'amicus'. Proposed amendments to the Category 9 land damage thresholds based on recommendations from Tonkin & Taylor and learnings from the Pilot. <p>The Board:</p> <ul style="list-style-type: none"> • Noted that securing a declaratory judgment will assist in providing clarity and mitigate or minimise challenge in the Courts. • Noted that, in this decision, Management needs to consider the expectation of the claimants as to their entitlement. • Noted that an effective communications strategy was crucial. 	<p>The Board:</p> <ul style="list-style-type: none"> a) Approved the use of DoV as a settlement tool for Category 9 land damage. b) Agreed that Management move to operationalise Category 9 land settlement. c) Agreed that the Category 9 land damage threshold be amended to reflect the recommendations from Tonkin & Taylor – <ul style="list-style-type: none"> o The flood depth for a property has increased by 100mm or more for a single earthquake event. o The property has suffered a cumulative increase in flood depth greater than 200mm between September 2010 and December 2011. o The property has suffered observable land damage. d) Delegated to Management the ability to make minor changes, as required, to the thresholds and DoV methodology to support the successful operationalisation of Category 9 land settlement. e) Confirmed that the Board, subject to the advice of Crown Law, wishes Management to pursue a declaratory judgment to support Category 9 land damage and the use of DoV.
<p>9(2)(a)</p>	<p>██████████ left the meeting at 1.37 pm The meeting broke for lunch at 1.40 pm. The meeting reconvened at 2.05 pm Jane Thomassen joined the meeting at 2.10pm.</p>	
<p>11.</p>	<p>Statement of Service Performance (SSP)</p> <p>Management:</p> <ul style="list-style-type: none"> • Noted that the commentary on the Customer Service output point 2 needs to be amended. • Noted that CHE for the previous year was 13.5% however the figure of 10% as a target is over the life of the project. <p>The Board:</p> <ul style="list-style-type: none"> • Sought clarity on the commentary accompanying the Customer Service output performance measure "Compliance with building regulations on first post repairs inspection" – Target 100%. 	<p>The Board:</p> <ul style="list-style-type: none"> a) Noted the contents of this paper and the draft SSP for the 2012-13 financial year. b) Approved the inclusion of the SSP in the Annual Report, subject to changes agreed as a result of the completion of the audit process. c) Delegated authority to the Chair to approve material changes made to the SSP following completion of the audit. <p>ACTION:</p> <ul style="list-style-type: none"> • Management to provide to the Board for the next Statement of Intent a series of measures and targets for a robust discussion prior to the first draft.

	<ul style="list-style-type: none"> Sought clarity on the CHE figures which is 10% - target not achieved. Discussed the performance measure "Premium collection costs as a percentage of premium collected" (page 10) and whether this should be reviewed in future given the collection mechanism. 	
<p>12.</p>	<p>Risk Evaluation and Management Matrix</p> <p>The Chair of ARC</p> <ul style="list-style-type: none"> Noted that from the ARC perspective there was significant debate and they are confident to bring this Matrix to the Board for their approval. <p>Management:</p> <ul style="list-style-type: none"> Noted the key difference in the newly revised Matrix is that it ensures that the Board is consulted and provided comfort on the critical risks that require the focus of Management. <p>The Board:</p> <ul style="list-style-type: none"> Recommended that Management run the Statement of Intent across the Risk Matrix to ensure cohesion. 	<p>The Board:</p> <ul style="list-style-type: none"> a) Noted the contents of the paper. b) Approved the proposed changes to the Risk Evaluation and Management Matrix (Risk Matrix).
<p>13.</p>	<p>Catastrophe Response Plan (CRP)</p> <p>The Chair of the ARC</p> <ul style="list-style-type: none"> Expressed concerns that the CRP indicates a confirmation date of March 2014 and sought assurance from Management as to what plans are in place to address an event should this occur before March 2014. <p>Management:</p> <ul style="list-style-type: none"> Provided a summary of the components of the CRP noting a number of plans operate within this plan depending on the type of event or incident. Advised that penetration testing occurs on a regular basis to test systems against unauthorized external access. Confirmed engagement with the GCIO in the security of data. Noted that Business Impact Analysis is currently underway with critical business units having their Business Continuity Plan (BCP) drafted by close of 2013. Noted that the timeline for the finalisation date for March 2013 is to ensure that the continuity testing will be undertaken. Provided assurance that EQC is in a more robust position to deal with an 'incident' in an event, particularly should the Wellington office be unable to be occupied. 	<p>The Board:</p> <ul style="list-style-type: none"> a) Noted this report and the current status of EQC's Catastrophe Response Programme. b) Discussed and Acknowledged progress made to address areas where risk controls are not effective and the risk treatments underway. c) Noted further updates will be provided by Management to the Audit & Risk Committee at the new monthly pre-Board meetings. d) Welcomed the renewed attention by the Risk and Assurance team to the issues raised around Business continuity. e) Encouraged Management to implement the Business Continuity Plan sooner rather than later. <p>ACTION:</p> <ul style="list-style-type: none"> Management to implement the Business Continuity Plan sooner rather than later and secure additional resource, in keeping with EQC staff policies to accelerate this process.

	<p>The Board:</p> <ul style="list-style-type: none"> Noted that one of the core risks that needs to be considered is 'hacking' and requested confirmation from Management as to the process in place to prevent or mitigate this. Sought clarity as to the current situation given these plans are not to be finalised and implemented until March 2014. Encouraged Management to implement the Business Continuity Plan sooner rather than later and advised that if additional resource was required to accelerate this process this should be sought in keeping with EQC staffing policy. 	
<p>14.</p>	<p>Risk Assessment</p> <p>Management:</p> <ul style="list-style-type: none"> Spoke to the Residual Risk Assessment tool which has been created and implemented as a result of the requirement that EQC's risks needed to be more clearly aligned with its strategic and operational objectives together with greater consistency as to how the risks are assessed and managed. 	<p>The Board:</p> <ul style="list-style-type: none"> a) Noted the changes made with respect to risk identification and assessment as part of the ongoing maturity of EQC's Risk Management Framework. b) Discussed and Approved Management's assessment of EQC's key risks to achieving its strategic objectives. c) Noted that the Audit & Risk Committee have agreed to meet monthly prior to each Board meeting (commencing in October). There is an expectation that Management will provide assurance on the level of commitment that is being applied to ensure that these risks are being addressed, noting that there has to be a practical and demonstrable action to assure and ensure that the organisation views these risks as key.
	<p><i>Jane Thomassen left the meeting at 2.57pm.</i></p>	
<p>15.</p>	<p>General Business</p> <p>The Chair</p> <ul style="list-style-type: none"> Confirmed the Board Strategy Day to take place on 9(2)(a) Thursday 10 October. This will be facilitated by 9(2)(a) [redacted]. It has been agreed that members of Executive Leadership Team and other key staff should be in attendance. Noted that the next HSBC meeting is in Christchurch in October and that dates for 2014 are yet to be confirmed. <p>The Board</p> <ul style="list-style-type: none"> Sought clarity from Management as to the process undertaken to provide independent examination of certain allegations set out in the EQC Truths blog. 	<p>ACTION:</p> <ul style="list-style-type: none"> Management to bring to the October meeting details of the process followed to address the allegations raised on the EQC Truths blog.

NOTE: SOME CONTENTS OF THESE MINUTES
ARE SUBJECT TO LEGAL PRIVILEGE.



**MINUTES OF THE MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION**
Held in the Majestic Centre Board Room
Level 20, 100 Willis Street, Wellington
Friday 11 October 2013 at 9.00 am

Present:

Sir M L Wevers (Chair)
R J Black
G M Smith
K B Taylor
R Bell
A O'Connell

In attendance:

I Simpson (Chief Executive) – part meeting
B Dunne (General Manager Strategy, Policy and Legal) - part meeting
B Emson (General Manager Customer Services) - part meeting
E Hicks (Chief Financial Officer) - part meeting
H Cowan (General Manager Reinsurance, Research & Education) – part meeting
R Smith (Manager Science and Education) – part meeting
[REDACTED] (Public Education & Design Manager) – part meeting
[REDACTED] (Communication Channels Manager) – part meeting
[REDACTED] (Senior Advisor Internal Engagement) – part meeting
[REDACTED] (Minutes) - part meeting

Apologies:

T Burt

9(2)(a)

	AGENDA ITEM	
	<p>Board Meeting</p> <p>The Board Meeting was declared open at 9.40 am.</p> <p>The Board requested a brief session without Management present.</p> <p>Ian Simpson and [REDACTED] left the meeting at 9.45am.</p> <p>Ian Simpson and [REDACTED] re-joined the meeting at 10.00am.</p>	
2.	<p>Present and Apologies</p> <p>The Chair recorded an apology from Trevor Burt.</p> <p>Roger Bell disclosed his interest relating to his professional relationship with the Chair of the Board of Fujifilm Xerox and agreed not to participate in the discussion or decision under Agenda Item 12.</p> <p>Sir Maarten disclosed to the Board that he had been appointed to the Primary Growth Partnership Advisory Panel and as Registrar of Pecuniary Interests of Members of Parliament.</p> <p>Board members confirmed that they had no interests not otherwise disclosed that related to any of the agenda items with the exception of Keith Taylor who reminded the Chair of his shareholding in KPIT in reference to the verbal update noted on</p>	<p>The Board:</p> <p>a) Agreed (in addition to updates to the Delegations Framework under Agenda Item 12) to provide the Chair and the Chair of ARC (where necessary) with authority to approve the execution of contract variations by the Chief Executive, where the whole-of-life value of the contract exceeds the delegation of the Chief Executive. The Board agreed that all such variations must be reported to the following Board meeting for ratification.</p>

	<p>page 4 of the CE Report "Update on Property matters".</p> <p>The Board agreed to remove paper 9 "Delegations to EQC Representatives" as this will be incorporated and covered in paper 11 "Delegations Framework update".</p> <p>The Board considered and approved the Fuji Xerox variation and discussed how similar variations could be most efficiently approved under the Delegated Financial Authorities (DFA). The DFA requires variations to contracts that have a whole of life cost of over \$2m to be approved by the Board, although the Chair has authority to increase the Chief Executive's delegation to \$5m. The Board discussed the approach of increasing the Chief Executive's delegation to approve variations to contracts, provided the approval of the Chair was first obtained and the Board ratified the variation.</p> <p>The Board acknowledged the CE's advice that both Management and the Board Committee (the Health and Safety Board Committee (HSBC)) have an improved view and focus on potential Health and Safety issues, noting significant work has been undertaken. Management provided assurances that processes are in place to manage threat responses to staff.</p> <p>The Board agreed that a visit to Manpower House staff should be arranged prior to the December Board meeting.</p>	
<p>3.</p>	<p>Minutes of Board Meeting of 13 September 2013.</p> <p>The Board considered the minutes and agreed as to their accuracy.</p>	<p>The Board:</p> <p>a) Approved and confirmed the minutes of the meeting held 13 September 2013 as a true and accurate record.</p>
<p>4.</p>	<p>Matters arising</p> <p>The Chair:</p> <ul style="list-style-type: none"> Sought an update from Management on the EQC Act Review. <p>The Board:</p> <ul style="list-style-type: none"> Noted that Management briefed the Board providing confirmation that the allegations referred to on the EQC Truths Blog have been both internally and externally reviewed, particularly the nepotism accusations. <p>The CE:</p> <ul style="list-style-type: none"> Advised that the OIA paper that was prepared for the Board was not sufficiently robust and Management intends to speak to this further as part of the CE Report. 	<p>The Board:</p> <p>a) Noted the matters arising and agreed upon the status of each item.</p> <p>b) Noted that the Board had a particular interest in the Review of the EQC Act leading to an enhanced EQC regime that would be effective and able to be operationalised.</p> <p>ACTION</p> <ul style="list-style-type: none"> Management to keep the EQC Review Act sub-group apprised of any development including in relation to the expected consultation on the draft Discussion document. Board Executive to move the closed actions items from the register.
<p>5.</p>	<p>Board Strategy Day debrief</p> <p>The Chair discussed the Board Strategy day and advised Management of the Board's endorsement of the constructive and valuable discussions that were undertaken.</p> <p>The CE advised that the Management team had expressed their</p>	<p>ACTION:</p> <ul style="list-style-type: none"> Board Executive and 9(2)(a) to distribute to the Board by email a copy of the Board Strategy meeting notes for consultation and finalisation at the November Board meeting. Management to bring to the December meeting

	<p>satisfaction with the interaction and clarity provided on the Board's expectations.</p> <p>The Chief Executive:</p> <ul style="list-style-type: none"> Noted that Management is seeking to begin to define the 'exit strategy' from Canterbury and what the word 'finished' means. In line with the new structure of ELT and a focused sub-group on the Future of EQC, this strategy will begin to take shape. <p>The Chair:</p> <ul style="list-style-type: none"> Distributed a copy of the Enduring Letter of Expectations dated July 2012 to the Board for their information. Noted that the dashboard report that went to the Minister contained a number of typographical errors and requested that Management ensure that these are addressed. 	<p>a paper outlining a whole organisation strategy to completion of claims in Canterbury.</p>
	<p><i>Bruce Emson, Emma Hicks and Bryan Dunne joined the meeting at 10.33am</i></p>	
<p>6.</p>	<p>Chief Executive Report</p> <p>The report was taken as read. The CE spoke to the Report noting that:</p> <ul style="list-style-type: none"> Analysis work has commenced on claims for the December 2011 Nelson event as a means to obtain information on the impact of the change in the Interpretation of Section 19 of the EQC Act. The results of this analysis will be brought to the November Board meeting. The revised Office of the Auditor-General (OAG) Report has been received. A response letter will be drafted at the conclusion of today's meeting in order to provide further feedback to the OAG. Management has sought and received an extension from the Ombudsman to submit EQC's response to the Ombudsman's report on management of information requests. <p>Management:</p> <ul style="list-style-type: none"> Noted that engagement with DPMC has been around land at a technical and governance level. Discussed the OIA situation noting that in order to resolve the backlog by Christmas, a further 76 staff would be required to be recruited, trained and housed in the next four weeks. This course of action has proved not to be a tenable solution, despite Management's best efforts to achieve it. Noted that the intention is to ensure that the current team is focused on the inflow of current OIAs to ensure they meet all statutory parameters. A second team is being employed to deal with the backlog, however the timing of this is yet to be determined. Advised the Board of the current situation with the Lease for Level 23 of the Majestic Centre. 	<p>The Board</p> <p>a) Noted the contents of the Chief Executive's Report.</p> <p>b) The Board agreed that if, as part of current negotiations on the occupancy of EQC's Majestic Centre premises, Management requires approval to execute a new Lease, then the new Lease can be distributed by email to the Board for approval outside of the normal meeting cycle. Trevor Burt and Keith Taylor should be excluded from this email, as they are shareholders in Kiwi Income Property Trust (KIPT), the Majestic Centre landlord.</p> <p>ACTION</p> <ul style="list-style-type: none"> Management to bring to the November Board meeting the results of the December 2011 Nelson analysis. 9(2)(a) Management (the CE to ask 9(2)(a)) to bring back to the Board the full collateral that goes out to customers from Claim Centre so that the Board can review whether it is understandable and in plain English. Management to bring an OIA process and associated communications strategy package to the November meeting with a clear plan on how to address the issues. Management to distribute by circulation (excluding Keith Taylor and Trevor Burt) the paper seeking permission to enter into a new Lease, if required, prior to the November Board meeting.

	<p>The Board:</p> <ul style="list-style-type: none"> • Discussed the Business Continuity Management Plan, noting that testing across some areas of the operation has been undertaken on a server transfer in the event of a main system failure however the entire system has not been shut down as there is a high risk associated with this. • Discussed the Ombudsman’s report, noting that the timelines indicated are unreasonable. • Discussed the communications that come from CMS to the customer. The Board wants to identify any improvements that may mitigate the lack of clarity in these communications. Lack of clarity may result in the customer making an OIA request. • Sought clarity as to Management’s approach to deal with the new OIAs instead of the old OIAs. • 	
<p>6.1.</p>	<p>Business Performance Report (BPR)</p> <p>The Board:</p> <ul style="list-style-type: none"> • Discussed the Summary of Major results seeking clarification on the CHE figures as a percentage versus dollar figure. • Sought clarity as to why contents settlement figures decreased significantly in September 2013 and were advised that this is as a result of this team of staff being re-deployed to work on Cook Strait claims. <p>Management:</p> <ul style="list-style-type: none"> • Noted that the figure 81,604 properties referred to in the EQR Properties repaired will be further refined as the data is cleansed. • Noted that previously the Board has requested that the CHE is reflected as a dollar figure (\$1.2b) which is more meaningful for the Board reporting as the denominator decreases. • Provided an update on the current status of the Cook Strait claims, noting that the majority of claims will be declines and that a number of multi-unit claims have also been received. • Advised that assessments are on track for meeting the six month target with the only caveat relating to the already high staff attrition rate. EQC’s settlement obligation is within 12 months of the amount of damage being “duly determined”. Further information will be provided to the Board as to how Management is meeting this obligation. 	<p>The Board</p> <p>a) Noted the contents of the Business Performance Report.</p> <p>ACTION</p> <ul style="list-style-type: none"> • Management to bring to the November Board meeting an update on the progress of assessment and settlement of claims for the Cook Strait events.

<p>6.2.</p>	<p>Health and Safety Report</p> <p>Management and the Board discussed the Health and Safety report:</p> <ul style="list-style-type: none"> • Noting that Asbestos remains EQC's key risk and that in the initial stages of the Canterbury response (repairs to the first 16,000 houses approximately) EQC relied on the contractors to comply with existing legislation (as per their trade qualification requirements). Subsequently EQC has undertaken a more proactive approach as to how contractors deal with asbestos, noting that EQC and Fletchers must operate under current legislative requirements. • Noting that EQC is following MBIE guidelines and good systems are in place. • Noting that when the Board members undertake their safety visits, they should ask the question as to whether asbestos has been identified on the site. <p>Management advised the Board of the processes that are in place to deal with any threats to staff.</p>	<p>The Board</p> <p>a) Noted the contents of the Health and Safety Report.</p>
<p>7.</p>	<p>Board Committee updates</p> <p>The Chair of the HSBC advised that Roger Bell has agreed to be appointed to the HSBC until such a time as new Board members are appointed.</p> <p>Agreed that at the next meeting HSBC will undertake site safety visits and also go to the new Christchurch Hub.</p> <p>The Chair of the ARC provided an update on the 30 minute meeting which took place prior to the Board meeting, advising that this will ensure the members of the committee can focus on the key risks and that Management is providing the correct attention to these.</p>	<p>The Board</p> <p>a) Agreed to the appointment of Roger Bell to the HSBC.</p> <p>b) Agreed that Trevor Burt's term of the HSBC will conclude on 31 December 2013.</p> <p>c) Confirmed Russell Black as Chair of the HSBC.</p> <p>ACTION</p> <ul style="list-style-type: none"> • Management to arrange for site safety visits and a visit to the new Christchurch Hub for the afternoon of 5 November 2013 for the HSBC.
<p>8.</p>	<p>Settlement of Multi-unit buildings</p> <p>Management:</p> <ul style="list-style-type: none"> • Advised that they are seeking an agreed approach with private insurers to enable settlement and/or repair of these properties and that therefore the Board should simply note the current approach adopted by Management • Provided the Board with a summary of the determinations around MuB's, noting how these properties have been identified and outlining the key issues faced with private insurers. • Advised that where possible EQC is progressing with repairs and settlement. • Noted that [REDACTED] and his team have done an excellent job in getting this issue understood and addressed. 	<p>The Board</p> <p>a) Noted that EQC has identified the type and quantum of Multi-unit Buildings to be settled.</p> <p>b) [REDACTED]</p> <p>c) Noted the current approach to settlement that Management has adopted.</p> <p>d) Noted the efforts of Barry Searle and his team in progressing this piece of work and asked Management to pass on their appreciation.</p>

	<p>The Board:</p> <ul style="list-style-type: none"> Advised that they are prepared to support Management in any way required to assist in facilitating this process to completion. 	
	<p><i>Bruce Emson and Bryan Dunne departed the meeting at 12.23pm.</i></p> <p><i>Hugh Cowan and Richard Smith entered the meeting at 12.25pm</i></p>	
<p>9.</p>	<p>Research Education Strategy</p> <p>Management provided a brief overview of the content of the paper:</p> <ul style="list-style-type: none"> Noting the further development and implementation of the Research and Education Strategy which the Board approved in February 2013. Noting that MINERVA is a loss modeling tool that assesses the quake risk as a technical basis for underwriters in the Insurance market. Noting EQC's financial investment across various areas of Research and Education. Noting that EQC participates in a national dialogue about hazard risks issues with various social science groups and natural hazard groups. Noting EQC's recent sponsorship with Victoria University, which is the first of its kind in terms of co-sponsorship with the Ministry Primary of Industries. This is a positive sign. Noting that EQC is recognised by other participant as a serious player in the Research and Education space specifically focusing on Natural Risks and Hazard management. <p>The Board:</p> <ul style="list-style-type: none"> Emphasised that EQC has an important leadership role in promoting community wide natural hazard risk assessment and mitigation, and that, as the current focus on the Canterbury earthquakes subsides in coming years, the research and education role will gain importance. Sought confirmation from Management that, in terms of the national view on Risk Management, EQC is participating at the appropriate level, aligned with appropriate organisations, and is investing at the right level. Expressed an appetite for the Board to be presented with a paper exploring options as to where EQC, in the context of its role above, can add or generate value across government as well as in the private sector. Noted that the Board welcomes updates on this on a regular basis as this is a core component of EQC's responsibilities. 	<p>The Board:</p> <p>a) Noted the Research and Education portfolio themes and new initiatives.</p> <p>ACTION:</p> <ul style="list-style-type: none"> Board Executive to provide to the new Board members a copy of the Geonet Strategic review document. Management to identify opportunities for the Board to engage with the Board of GNS and other strategic research and hazard risk stakeholders.
	<p><i>Hugh Cowan and Richard Smith left the meeting at 12.53pm</i></p>	

<p>10.</p>	<p>Cashflow Projection</p> <p>The Board discussed and noted the content of the paper.</p> <p>Management provided a brief overview of the content of the paper.</p> <p>The Board:</p> <ul style="list-style-type: none"> Advised that it is happy the current position, as funds need to remain liquid. 	<p>The Board:</p> <p>a) Noted the contents of the Cashflow projection paper.</p>
<p>11.</p>	<p>Delegations Framework update</p> <p>Management provided a brief overview of the content of the paper.</p> <p>The Board discussed and noted the content of the paper.</p>	<p>The Board:</p> <p>a) Noted the \$40k of capital expenditure from the contestable pool has been allocated in the past quarter.</p> <p>b) Approved the updates to the Delegations Framework.</p>
<p>12.</p>	<p>Fuji Xerox Contract variation</p> <p>Roger Bell did not participate in the discussion or the agreement.</p> <p>Management provided a brief overview of the content of the paper.</p>	<p>The Board:</p> <p>a) Noted the contents of the Fuji Xerox contract Variations 5 and 6.</p> <p>b) Agreed to approve the Fuji Xerox contract Variations 5 and 6.</p>
<p>13.</p>	<p>General Business</p> <p>The Board discussed the monthly report to the Minister and identified a number of figures that were not consistent within the report.</p> <p>Sir Maarten tabled:</p> <ul style="list-style-type: none"> A document from Treasury detailing the COMU external governance review and advising that Board members may be contacted to participate in this review. A copy of the email distributed to Board members regarding the information for private insurers related to EQC land policies, noting that no feedback from Board members had been received. 	<p>ACTION:</p> <ul style="list-style-type: none"> Management to bring back either an apology or an explanation as to why the figures in the Dashboard were different. Management to deal with the issue of possible recapitalisation which should be discussed with Treasury as suitable circumstances arise.
	<p><i>The meeting broke for lunch at 1.10pm and resumed at 1.30pm.</i></p>	
<p>9(2)(a)</p>	<p>[REDACTED] (Communications team) joined the meeting at 1.38pm to present to the Board the Fix, Fasten, Don't Forget advertising presentation.</p> <p>The Communications team left the meeting at 2.00pm.</p> <p>The Chair provided a brief summary and shared photos of his recent trip to Japan, particularly Sendai.</p>	



**MINUTES OF THE MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION**
Held in the Pukeko Room
53 Princess Street, Christchurch
Thursday 14 November 2013 at 9.00am

Present:
Sir M L Wevers (Chair)
R J Black
G M Smith
A C O'Connell
T Burt
R Bell
K B Taylor

Apologies:

In attendance:
Ian Simpson (Chief Executive)
Bryan Dunne (General Manager Strategy Policy and Legal) – part meeting
Bruce Emson (General Manager Customer Services) - part meeting
Gail Kettle (National Claims Manager) – part meeting
Reid Stiven (Manager CHRP) – part meeting
Zac Berry (Land Manager) – part meeting
[redacted] (Investigations Manager) – part meeting
[redacted] (Field Operations Manager) – part meeting
[redacted] (Business Service Manager) – part meeting
Debbie Barber (General Manager, Stakeholder Engagement and Reputation) – part meeting
[redacted] (Media Manager) – part meeting
[redacted] (Minutes) – part meeting

The meeting was declared open at 9.00 am. The Board requested a private session with the Chief Executive. The Minute secretary left the meeting.

The Minute secretary returned to the meeting at 9.30 am

	AGENDA ITEM	
1.	Audit and Risk Committee pre-Board session	
2.	Present and Apologies There were no apologies to record. The Board confirmed that there were no interests not otherwise declared on any agenda items.	
3.	Minutes of Board Meeting of 11 October 2013 The Board considered the minutes, provided amendments and agreed as to their accuracy. Amendments: <ul style="list-style-type: none"> Page 1, Part 2, paragraph 2 replace wording from "Directorship on the Board" to "professional working relationship with the Chair of the Board". Page 2, Part 5, Action Point 2 replace 'exit Canterbury' with "a whole of organisation strategy to completion of claims in Canterbury" 	The Board: <ul style="list-style-type: none"> a) Confirmed the minutes of the meeting held October 2013 (as amended) as a true and accurate record. b) Accepted Keith Taylor and Allison O'Connell's offer to take the informal lead on behalf of the Board and work with Management on the levy setting and recapitalisation papers.

	<ul style="list-style-type: none"> Page 3, Part 6, bullet point 2 delete the bullet point from "....and while this revised version....are satisfied" Page 4, 1st bullet point "noting that testing....system failure, however the entire system has not been shut down as there is high risk associated with this" Page 6, Part 9, Action bullet point 3, move to 13 "General Business"...."Management to deal with the issue....as suitable circumstances arise" 	<p>ACTION:</p> <ul style="list-style-type: none"> Management to recommence the modeling works relating to the levy setting and recapitalisation of the fund. A copy should be provided to K Taylor and A O'Connell. Management to bring a recapitalisation paper to the Board in 2014.
<p>4.</p>	<p>Matters arising</p> <p>The Board discussed the matters arising and agreed as to the status of each item.</p> <p>The Chair provided a brief summary of his recent meeting with the Minister, The Hon. Gerry Brownlee.</p> <p>The CE provided an update on the Fix, Fasten, Don't Forget campaign noting:</p> <ul style="list-style-type: none"> That after the last Board meeting a number of further agencies were consulted, resulting in a decision to defer the campaign. That the campaign will now proceed but on a different basis and the media team is now working on a campaign with the TV component not starting until March 2014. That work with the Mental Health Services in Canterbury is underway to address their concerns and develop data to test the best way forward. <p>The Chair:</p> <ul style="list-style-type: none"> Requested that at a future Board meeting to be held in Christchurch that Management arrange for Canterbury DHB (including Mental Health Services) staff and other relevant parties to be invited to speak to the Board. Provided a brief update on a meeting he hosted with Tom O'Rourke from Cornell University who advised that he is prepared to support EQC fully, and suggested that a national discussion on lessons from Canterbury should be held sometime in 2014. Professor O'Rourke offered to be involved in designing the strategy – as what is happening in New Zealand and Canterbury is of global interest. 	<p>ACTION</p> <ul style="list-style-type: none"> Management to invite Canterbury DHB (including Mental Health Services) staff and other relevant parties to the Board meeting in Christchurch in February. Management to develop a proposal for Board consideration to convene a National forum in 2014 to explore lessons from Canterbury.
	<p><i>Bryan Dunne and Bruce Emson joined the meeting at 9.59am.</i></p>	
<p>5.</p>	<p>Chief Executive's Report</p> <p>The report was taken as read. The Chief Executive spoke to the Report and:</p> <ul style="list-style-type: none"> Noted the key focus for this Board meeting was the Plan for 2014 and the presentation from the Customer Services Leadership team at this meeting. 	<p>The Board:</p> <p>a) Noted the Chief Executive's Report.</p> <p>ACTION</p> <ul style="list-style-type: none"> Management to provide updates on new collaborative initiatives with CERA in relation to flood risk, vulnerable customers and Multi-Unit Buildings (MuBs).

	<ul style="list-style-type: none"> • Advised that settlements for Port Hills properties were now taking place and will be completed by the end of 2013. Where a top up is being paid, communications to these customers will reflect this. • Noted that the land repair pilot project is proceeding well. • Noted that work is underway with a range of Insurers to commence land repair trials in 2014. • Noted that the Council is looking at a 'holistic' view of all properties identified as Increased Flooding Vulnerability (IVF, formerly Category 9), which may have an impact on EQC's obligations. • Advised that agreement has been reached with the Chief Executive of CERA to cooperate in convening a joint forum, with other interested parties, including the City Council, to engage EQC customers who have Increased Flooding Vulnerability. • Similarly advised that work will proceed with CERA to consider how to better support vulnerable customers who are living in Multi-Unit Buildings (MuBs). • Noted that EQC is working with Insurers to analyse MuBs data, specifically to identify vulnerable customers whose claims have not been addressed or progressed. • Advised the Board that the issue with the lease of the Majestic Centre is looking more favourable and that Management hopes for a resolution soon. • Provided an update on the current litigation activity, specifically on the 'Kraal' case. The Board may be called on to consider the eventual Court decision at a future meeting as 'Kraal' is a potentially significant precedent-setting case. • Advised that a judgment is due to be released by the end of December 2013 on the injunction re the EQC Truths website. <p>The Chair:</p> <ul style="list-style-type: none"> • Noted that the view of the Board is that anything EQC can do to work with other organisations such as CERA, Insurers and the Councils to address the issue of vulnerable customers is a high priority. • [REDACTED] 9(2)(h) [REDACTED] The relevant Board paper will set out some suggested changes to strengthen management of these issues. • Noted that a litigation update should be provided to the Minister on a regular basis. 	<ul style="list-style-type: none"> • Management to bring a Conflicts of Interests paper to the Board in December. • Management to provide the litigation update (as per the CE Report) to the Minister on a regular basis.
<p>5.1.</p>	<p>Business Performance Report (BPR)</p> <p>The Chair:</p> <ul style="list-style-type: none"> • Identified that advice should be provided on how EQC is managing the costs of the Canterbury events. <p>Management:</p> <ul style="list-style-type: none"> • Noted that next month there will be re-designed Business Performance Report. 	<p>The Board:</p> <p>a) Noted the Business Performance Report.</p> <p>ACTION</p> <ul style="list-style-type: none"> • Management to bring to the Board the advice sought on the management of costs for the Canterbury events.

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	<ul style="list-style-type: none"> Advised that there is a significant concern around the decline in properties becoming available for inclusion in the CHRP. This matter is one which Management is addressing currently with Fletchers. Noted that the completion rate through EQR is a key determinant for a completion date of December 2014. Noted that forecast CHE is above the target of \$1.208 billion and Management is assessing how this can be addressed. Noted that the CHE for the Cook Strait Event will be high as a percentage of claim liability, as EQC will be managing a high volume of low value claims. Noted that the CHE needed to be managed in the context of the overall claim liability. There may be examples where additional investment in administration costs may reduce the overall liability. 	
<p>5.2.</p>	<p>Health and Safety Report</p> <p>Management and the Board discussed the Health and Safety report:</p> <ul style="list-style-type: none"> Advising that a formal interview of an EQC Manager will be undertaken by MBIE following an asbestos exposure, noting that advice has been received that it is highly unlikely that this will result in any prosecutions. Noted that the graph on the top right hand page, Appendix 1 needs to show the month to month comparisons. 	<p>The Board:</p> <p>a) Noted the content of the Health and Safety Report.</p> <p>ACTION</p> <ul style="list-style-type: none"> Management to amend the Injury Statistics report graph showing the 'Incidents by Hazard/Risk Source' to include a month to month comparison.
	<p>9(2)(a) Gail Kettle, 9(2)(a) Zac Berry, Reid Stiven, Debbie Barber joined the meeting at 10.50am.</p>	
<p>6.</p>	<p>Customers Services Presentation</p> <p>The Chair spoke to the members of the Customer Services team present to thank them for their hard work and noted that the work that is being undertaken is difficult and greatly appreciated by the Board.</p> <p>Management introduced the Canterbury Claims Resolution Plan noting this will identify:</p> <ul style="list-style-type: none"> Where we've come from Where we are What we've got to achieve. <p>Management:</p> <ul style="list-style-type: none"> Noted that all Port Hills customers will have land claims cash settled by December 2013. Noted that there are currently 72,300 (approximately) properties left to repair and with the current Fletcher EQR run rate, these will not be completed by December 2014. Noted that the Safe 6 initiative is an industry lead which EQC is proud of. Noted the issues with management of the Fletcher EQR relationship which need to be addressed as a matter of urgency. 	<p>ACTION</p> <ul style="list-style-type: none"> Management to arrange a meeting with the Fletcher EQR Management and the EQC Chair on an urgent basis. Management to present to the Board at the December meeting, a paper outlining decisions that are required to be made at Board level, noting these will not necessarily be specific answers to specific questions but rather a mandate for use across a number of issues. Management to provide clarity to the statement "that everything will be completed by December 2014", noting that the 'tail' is crucial to address what is 'unresolved'. Management to bring to the December Board meeting clarity as to when they will be in a position to provide the Board with a specific plan showing how EQC will meet the stated target of December 2014.

<ul style="list-style-type: none"> • Noted the current status and progress of land assessments and settlements to date, noting that assessments are on target, settlement for Port Hills properties is on target, and Flat Land Claims are to be completed by December 2014, subject to apportionment, Diminution of Value (DoV), and the ground improvement trials and pilot programme. • s(2)(g)(i) • Noted a summary of the current status of the various MuB categories 1 – 4 which identified the key issues in finalising both assessments and settlements of MuBs. • Noted that Management is consulting with both MBIE and Insurers on a regular basis to discuss and address the key issues that are 'holding up' the settlement of claims. • Provided the Board with an overview of the Stakeholder Reputation and Engagement survey conducted by UMR, highlighting areas that EQC focuses on and identifying areas that are opportunities for improvement. • Sought from the Board clear expectations as to the priority to be given to stakeholder management and customer communications. • Advised that prior to Christmas, communications to the seven highest priority groups will be undertaken. • Noted that given the limited time left between now and Christmas, there is very little that can be added to staff workloads to achieve additional goals prior to Christmas. • Sought clarity from the Board as to their appetite to settle red zone claims first or last. Red zone settlements first would enable around 7,000 claims to be settled and closed promptly. Also, the Minister had committed to a clearance timetable. But this course would divert resources away from settling claims for occupied dwellings. • Advised the Board that, in order to achieve stated timeframes/targets, either EQR repair completion rates needed to increase substantially, or some increase in cash settlement would be required. This would require Board guidance given previous comments on cost management. <p>The Board:</p> <ul style="list-style-type: none"> • Provided clear guidance to Management that priority must be given to vulnerable customers, particularly those in MUBs. • Requested Management to present to the Board at the December meeting a paper outlining decisions that are required to be made at Board level, noting these will not necessarily be specific answers to specific questions but rather a mandate for use across a number of issues. • Sought clarity from Management as to the statement that "everything will be completed by December 2014", noting that the 'tail' is crucial to address what is 'unresolved'. • Sought clarity as to when Management will be in a position to provide the Board with a specific plan showing how EQC will meet the stated target of December 2014, noting Management's advice that this will be at the December 2013 meeting. 	
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	<ul style="list-style-type: none"> Noted the consistent message from the presentation around retention and recruitment of staff and discussed with Management how this will be addressed. Recognised how much has fallen on the shoulders of a small team of staff, particularly those based in Canterbury, and advised that the Board is open to assisting Management with whatever they can do to assist with staffing. Noted that the risk around staff retention is key, which needs to be addressed as settlement of claims requires the people with the right skills at all levels in the organisation. Noted that the contractual relationship between EQC and EQR is a primary focus of both Management and the Board, and that the current completion rates from Fletchers are not sufficient to meet the target of 2014. 	
	<p><i>The meeting broke for lunch at 1.05 pm</i> <i>The meeting reconvened at 1.32pm – Bryon Dunne and Bruce Emson in attendance.</i></p>	
<p>7.</p>	<p>Land Steering Group questions from ICNZ participants</p> <p>Management:</p> <ul style="list-style-type: none"> Noted that in general the conversation at the Land Steering group with the Insurers was helpful. Noted the intent of the responses is to provide Insurers with sufficient confidence about EQC's position on land cover that Insurers can progress repairs/rebuilds where this is otherwise seen to be delaying progress. Noted that the interpretation or policy positions adopted by EQC could be disputed by the Insurers. 	<p>The Board:</p> <ol style="list-style-type: none"> Noted its statutory role in administering the insurance provided under the <i>Earthquake Commission Act (1993) (the Act)</i>. Noted Private Insurers, via the Insurance Council of New Zealand (ICNZ), are seeking EQC's formal position (i.e. Board sanctioned) on a number of policy questions that involve the interpretation of the Act. Noted Management prepared a series of draft responses, which were considered by the Chair and Deputy Chair (see Annex B), and subsequently provided in draft form to an Insurer for feedback. Noted that based on Insurer feedback, an amended series of responses was prepared and then provided to Insurers on a without prejudice basis and subject to Board consideration and approval. Endorsed the proposed responses as outlined in Annex A to this paper as representing EQC's position on the matters in question.
<p>8.</p>	<p>OIA Strategy</p> <p>The Board:</p> <ul style="list-style-type: none"> Noted that issue of OIA's is a focus of the Board and they encourage Management to do whatever is necessary to address this issue. <p>Management:</p> <ul style="list-style-type: none"> Noted that the backlog has reduced over the last six week period both as a result of the work of the team and also a reduction of new OIA requests being submitted. Noted a critical issue is securing and retaining staff and without more staff, the deadline of clearing the OIA backlog by April 2014 will not be met. 	<p>The Board:</p> <ol style="list-style-type: none"> Noted the current volume of backlog. Noted the backlog is not increasing in number. Noted the plan and approach to clear the backlog by 30 April 2014 while continuing to meet statutory requirements for new requests.

	<i>Bryan Dunne and Bruce Emson departed the meeting at 1.50pm.</i>	
9.	Board Committee Updates	
9.1.	<p>ARC session update</p> <p>The Chair of the Audit and Risk Committee (ARC) provided an update to the Board on the discussion and key points from the meeting held prior to the Board meeting that morning noting:</p> <ul style="list-style-type: none"> • That managing the relationship with Fletchers, Southern Response, the Councils and servicing the Minister's office need to be highlighted in the risk matrix as they are key. • That the Committee identified that a 'class' action is a possibility from the Port Hills customers and should be specifically noted as a risk. • That a full Audit and Risk Committee meeting is set down for 25 November. • That there has been an improved result in terms of audit issues. • That Management should elevate the risk around the 'loss of key staff'. <p>Management:</p> <ul style="list-style-type: none"> • Noted that efforts to recruit a Private Secretary to the Minister's office as a secondee from EQC are continuing. 	
9.2.	<p>HSBC debrief</p> <p>The Chair of the Health and Safety Board Committee (HSBC) provided a brief update on the recent HSBC meeting noting:</p> <ul style="list-style-type: none"> • More visibility on where Management is up to regarding health and safety. • The main issue was to review the Health and Safety Strategy document which the Committee provided some feedback on, but were satisfied overall. • That the initiatives for 2014 need to be considered as part of the business plan development. • Proposed that members from Fletchers are invited to the next meeting to get engagement from them around Health and Safety. • The threat response procedure was tabled and this is a thorough and comprehensive document. <p>Management:</p> <ul style="list-style-type: none"> • 9(2)(h) 	
10.	Board Strategy Day meeting notes	<p>The Board:</p> <p>a) Confirmed the information in the summary as an accurate record of key outcomes from the 10 October 2013 Board/ELT Strategy Workshop.</p>
10.1.	EQC Comments on Treasury background paper	<p>The Board:</p> <p>a) Noted the contents of the EQC Comments on Treasury Background paper.</p>

<p>11.</p>	<p>General Business</p> <p>The Chief Executive:</p> <ul style="list-style-type: none"> • Provided a brief update of a meeting with Roger Sutton, CERA noting that two areas of customer engagement and assistance were requested (to be called and facilitated by CERA) for: <ul style="list-style-type: none"> • Customers in CHRP with a now increased flood risk. • Social assistance around MuBs noting there are three issues with MuBs: <ol style="list-style-type: none"> 1. How these are physically repaired? 2. Policy work (DPMC) around uninsured parties 3. Social element- not all parties agree • Roger Sutton has agreed to assist with all of the above and will help the various owners to work together noting that this will address a large number of vulnerable customers who are 'stuck' in the MuBs queue. He has made a request for more data around the 'uninsured parties' issue before proceeding on this. • Advised that the end of 2013 deadline for the over \$50k repairs to be completed will not be achieved. Of the 10,700, Fletchers have completed approximately 4,000, with the difference being those in MuBs and other complex settlements. The complexities were communicated to the majority of these customers as part of the 90 day Comms initiative. Communications will be going out to the 500 people that are not currently clear on where they are before the end of the year. • Provided a brief overview on the recent forum attended by the Chair, CE and Minister with CERA in Christchurch, noting that the declaratory judgment was a good model and that the Mayor (Lianne Dalzell) indicated that the Council should follow this lead. There is some appetite for a meeting to be held with the Chairs and CEs of various organisations. <p>The Chair:</p> <ul style="list-style-type: none"> • Noted that he had a discussion with Fran Wilde (Chair of the Greater Wellington Regional Council) over the possibility of a discussion over luncheon at the Board meeting on Friday 13 December. • Noted that Keith Taylor has been reappointed until mid-2016. • Formally noted the Board's appreciation for Trevor's contribution and perspectives brought to the Board table, particularly as a Cantabrian that has been through this event and for his support for Michael Wintringham as Chair. <p>The Board:</p> <ul style="list-style-type: none"> • Raised the issue of the security of the server as previously stated that Management doesn't want to shut it down as it doesn't have the confidence that this will come back up -- and reiterated that we should be exploring backup options. The CE agreed to address this in the next month's CE report. 	<p>The Board:</p> <p>a) Agreed that an invitation will be extended by the Chair to Fran Wilde to attend the December Board meeting.</p> <p>ACTION:</p> <ul style="list-style-type: none"> • The CE to advise the Minister of the two initiatives currently in progress with CERA and confirm the advice that EQC will not complete all over-\$50k repairs by the end of 2013 as previously advised. • Management to provide any background information to the Christchurch City Council on their insurance situation to ensure that this is 'on the record'. • The CE agreed to report back to the Board in the December CE report around back up options for the server to provide security for both operating systems and data. • Management to bring back to the December Board meeting a paper showing how the learnings from Canterbury have been applied to the Cook Strait events.
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	<ul style="list-style-type: none"> Discussed the learnings from Canterbury as they have been applied to the Cook Strait events and sought from Management their views as to how these learnings have been applied to the Cook Strait events. <p>Bruce Emson re-entered the meeting at 2.52pm to provide an update on the negotiations with the Christchurch City Council noting that on the basis of a bulk settlement, EQC has agreed that insurance cover is in place. Negotiations are underway. However indications are that Management may need to come to the Board to request approval for additional funds to settle outside of the Board meeting cycle, as this negotiation will need to be finalised prior to the end of 2013.</p>	
<p>12.</p>	<p>Correspondence of Interest</p> <ul style="list-style-type: none"> Monthly Report of Minister Copy Letter received from The Treasury re: Strengthening Treasury's Commercial Operations Report from <ul style="list-style-type: none"> Office of the Auditor General EQC's letter to: <ul style="list-style-type: none"> Human Rights Commissioner Ombudsman <p>The Board:</p> <ul style="list-style-type: none"> Noted the correspondence of interest. Noted that the Auditor General's report was balanced. Noted that as a result of the OAG, Ombudsman and HRC reports, engagement with EQC Management and the Chair was instigated and considered positive. 	<p>ACTION:</p> <ul style="list-style-type: none"> The CE to bring to the December meeting as part of the 'strategy' assurance that the recommendations included in the OAG report are being implemented and by whom. The CE to bring to the March 2014 meeting, a status report and the plan for monitoring and responding to the recommendations raised in the Auditor-General's report.
	<p>The next Board meeting will be on Friday 13 December 2013 In Wellington.</p> <p>The Meeting closed at 3.00 pm.</p> <p>These minutes were approved by the Board as a true and correct record.</p> <p>_____</p> <p>M L Wevers Date</p>	

NOTE: SOME CONTENTS OF THESE MINUTES
ARE SUBJECT TO LEGAL PRIVILEGE.

**MINUTES OF THE MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION**
Held in the Majestic Centre Board Room
Level 20, 100 Willis Street, Wellington
Friday 13 December 2013, 9.00am

Present:

Sir Maarten L Wevers (Chair)
Keith B Taylor (Deputy Chair)
Russell J Black
Gordon M Smith
Dr Alison C O'Connell
Roger Bell

Apologies:

Trevor Burt

In attendance:

Ian Simpson (Chief Executive) – part meeting
Linda Smith (Chief Information Officer) – part meeting
9(2)(a) (Reinsurance Claim Manager) – part meeting
Jane Thomassen (Manager Risk and Assurance) – part meeting
Jeremy Ford (Chief Legal Advisor) – part meeting
Jane Whitfield (General Manager Project Portfolio Management) – part meeting
Emma Hicks (Chief Financial Officer) – part meeting
9(2)(a) (Financial Controller) – part meeting
9(2)(a) (Senior Policy Analyst) – part meeting
9(2)(a) (Board Executive -Minutes) – part meeting

<p>The meeting was declared open at 9.00 am. Ian Simpson (CE) and 9(2)(a) (Board Executive) joined the meeting at 9.00am.</p>		
	AGENDA ITEM	
1.	<p>Present and Apologies</p> <p>Apologies were recorded from Commissioner Burt.</p> <p>Commissioner Bell advised that he has been appointed to the Board of a 'start up' company that has an interest in financial offerings/insurance but that he was confident there was no current conflict with EQC matters. The Interests Register will be updated accordingly.</p> <p>Board members present confirmed that there were no interests (other than those already disclosed in the Interests Register) on any agenda items.</p> <p>Agreed that the Interests Register be included in all future Board papers.</p>	<p>ACTION:</p> <ul style="list-style-type: none"> Board Executive to distribute Interests Register to Commissioner Bell for updating.
	<p>9(2)(a) from AON Benfield and 9(2)(a) (EQC Reinsurance Claim Manager) joined the meeting at 9.05 am.</p>	
2.	<p>Aon Benfield Reinsurance Market update</p> <p>The CE introduced the team from Aon Benfield, noting today's session is seeking a mandate from the Board to continue to investigate the market placement on broadly similar terms to the 2013 programme.</p>	<p>The Board:</p> <p>a) 9(2)(j)</p>

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9(2)(a)	<p>provided a brief overview of the presentation distributed at the meeting which showed the current reinsurance placement over the four layers.</p>	<p>b) 9(2)(j)</p> <p>c)</p>
9(2)(a)	<p>spoke to the modelling slides noting how closely correlated Minerva, GAPQuake and RMS Risklink are in terms of results.</p>	
9(2)(a)	<p>spoke to the current market overview in terms of loss activity and supply and demand.</p>	
9(2)(a)	<p>outlined the renewal considerations for 2014/15 seeking a mandate from the Board in principle to continue the programme placement strategy with a view to bringing the proposed Placement model to the February Board meeting.</p>	
	<p>9(2)(j)</p>	
9(2)(a)	<p><i>The Board requested a private session. Ian Simpson (the CE) and (Board Executive) left the meeting at 9.55am.</i></p> <p><i>Ian Simpson (the CE), (Board Executive), Emma Hicks (Chief Financial Officer) and (Financial Controller) entered the meeting at 10.30am.</i></p>	
3.	<p>Minutes of Board Meeting of 14 November 2013</p> <p>The Board considered the minutes and agreed as to their accuracy.</p>	<p>The Board:</p> <p>a) Confirmed the minutes of the meeting held 14 November 2013 as a true and accurate record.</p>
4.	<p>Matters arising</p> <p>The Board discussed the matters arising and agreed as to the status of each item.</p>	<p>The Board:</p> <p>a) Noted the matters arising and agreed as to the status of each item.</p>
5.	<p>Chief Executive's Report</p> <p>The report was taken as read. The CE spoke to the Report and:</p> <ul style="list-style-type: none"> Noted that the Ground improvement trials are progressing well and are on track for the Ministry of Business, Innovation, and Employment (MBIE) to update the Foundation Guidelines by the end of February 2014 (although this remained a stretch target). Noted that the Christchurch City Council (CCC) is working through the consenting process to ensure that once the Foundation Guidelines are completed, they will be ready to proceed with a consenting process. Advised that the new Mayor of Christchurch has requested to be the lead on Flood Management, resulting in EQC and the CCC working very closely together on this issue. 	<p>The Board:</p> <p>a) Noted the Chief Executive's Report.</p>

- Noted that in parallel to the collaborative work cited above regarding settlement of Increased Flooding Vulnerability (IFV) properties, EQC is still proceeding with preparing for settlement of these properties using Diminution of Value (DoV) given the uncertainty around the feasibility of wide area flood mitigation work.
- Noted that given the second draft of the Ombudsman's report was provided to EQC with a very short turnaround time, it was not distributed to the Board. The CE apologised to the Board for not distributing the draft to them.
- Noted the engagement with the new Chair of Worksafe in relation to the MBIE warning letter [REDACTED]

9(2)(g)(i)

The Chair:

- Sought and received assurances that the CE has been advised that the CCC will be ready to implement a consenting process once the Foundation guidelines are confirmed.
- Provided a brief overview of the proposed discussion points for the meeting with the Mayor scheduled for next week.
- Sought and received clarity that the CE is responsible for managing the Stakeholder relationship with the Mayor and the CCC.
- Noted that the Board had had no opportunity to consider the Ombudsman's report either in draft or final form before its release. Similar situations had to be avoided in the future.
- Noted that timely engagement on reporting matters to the House of Representatives is paramount, particularly around the Financial and Expenditure Committee (FEC) Review.

The CE:

9(2)(a)

- Provided an update on the meeting held between the Chair, himself and [REDACTED] (IAG) noting that IAG is seeking to work alongside EQC to resolve claims in Canterbury.
- Provided an update on the Fix, Fasten, Don't Forget campaign, which has gone live in cinemas, noting that further work is being undertaken to develop how a new television campaign may be rolled out in Canterbury.

The Chief Legal Advisor:

- Provided an update on recent litigation activity. An

9(2)(h)

- Confirmed that fortnightly updates are being provided to the Minister's office on current litigation activity.
- Noted that a report will be provided at the next Board meeting on the outcome of the *Kraal* case.

<p>5.1.</p>	<p>Business Performance Report (BPR)</p> <p>The CE:</p> <ul style="list-style-type: none"> • Distributed an A3 copy of the BPR for discussion. • Noted that a Recoveries paper is being developed and will be brought to the Board meeting in February for approval. • Noted that the Crown is going to be called on to fund EQC as per section 16 of the Earthquake Commission Act 1993. <p>The Board:</p> <ul style="list-style-type: none"> • Discussed whether the Board should receive the same report that goes to the Minister each month rather than getting a different report, noting that the Board should be across everything that the Minister sees. • Advised that the Board is interested in the overall satisfaction rates from customers through the UMR survey. • Discussed the opportunity to provide information through the media to vulnerable people and to people who need to find alternative accommodation while EQC conducts the repairs. 	<p>The Board:</p> <ul style="list-style-type: none"> a) Noted the submission to the Board of a simplified Business Performance Report (BPR) which was distributed by email on Tuesday 10 December. b) Provided feedback on the revised BPR. c) Noted the activities that are ongoing with regards to cost management within EQC. <p>ACTION</p> <ul style="list-style-type: none"> • Management to include a copy of the quarterly UMR survey in the Board pack when it is available. • Management to bring to the February Board meeting the proposed Recoveries paper. • Management to bring to the February Board meeting the Recovery of Excesses paper. • Management to create a BPR that includes the Minister's dashboard and additional information that the Board requires but that the Minister doesn't need to see and bring this to all future Board meetings.
	<p>9(2)(a) (Financial Controller) left the meeting at 11.05 am.</p>	
<p>5.2.</p>	<p>Health and Safety Report</p> <p>Management and the Board discussed the Health and Safety report:</p> <ul style="list-style-type: none"> • Noting that EQC and Fletchers EQR have each received a written warning for an Asbestos exposure relating to a customer's property in Canterbury. • 9(2)(h) • Noting that EQC has made a significant contribution to education and training for staff and contractors relating to Asbestos. 	<p>The Board:</p> <ul style="list-style-type: none"> a) Noted the content of the Health and Safety Report.
<p>5.3.</p>	<p>Stakeholder Engagement Strategy</p> <p>The Chair requested a paper on how we engage stakeholders in Christchurch and requested that relevant members of the Management team are invited in to speak to this paper.</p>	<p>The Board:</p> <ul style="list-style-type: none"> a) Noted the Stakeholder Engagement Strategy. <p>ACTION</p> <ul style="list-style-type: none"> • Management to bring to the February Board meeting a paper outlining stakeholder engagement in Christchurch and to invite relevant members of the Management team and staff to speak to the paper.

<p>5.4.</p>	<p>Temporary Financial Delegation amendment</p> <p>The Chair:</p> <ul style="list-style-type: none"> Advised that the CE is to inform the Chair (or in his absence the Deputy Chair) of any requirements to use the increased financial delegation. 	<p>The Board:</p> <ul style="list-style-type: none"> Agreed a temporary increase in delegation for the Chief Executive ('CE') up to \$50m for the period to 24 December 2013 to cover the final 2013 Fletcher contractor payments Invoice. Agreed that the CE is to inform the Chair (or Deputy Chair in his absence) of any requirements to use the increased financial delegation.
<p>6.</p>	<p>Quarterly Risk Report</p> <p>The Board agreed that there was no further discussion required on the Risk Report which they felt had been covered sufficiently at the pre-Board Audit and Risk Committee (ARC) briefing.</p>	
	<p>The Board broke for a coffee break at 11.50am and reconvened at 11.55am.</p> <p>Emma Hicks (Chief Financial Officer) left the meeting at 11.50 am. [REDACTED] (Senior Policy Analyst) joined the meeting at 11.56 am 9(2)(a)</p>	
<p>7.</p>	<p>Plan for Action 2014</p> <p>The CE:</p> <ul style="list-style-type: none"> Provided an overview of the Plan for Action 2014 summarising the discussions and agreements made over the past few months at Board level. Noted that the aim is to get from the Board today the key appetite for 'trade-offs' that are required to complete Canterbury. Noted that top level management of Fletchers is committed to completing all of the properties identified for completion (72,800). 9(2)(b)(i) Noted that there is still significant risk around the realistic delivery of the Canterbury Home Repair Programme (CHRP). A significant shift in delivery is required in order to meet this target. Advised that a Repair Roadmap will be developed by the end of January 2014, to which Fletchers and EQC will be accountable. Noted that an 'exchange of letters' between Ian Simpson and Graham Darlow (Chief Executive Construction Group, Fletcher Construction Company) will take place to ensure that Fletchers is incentivised to deliver the CHRP target on time. Provided a list of key actions and timelines agreed between EQC and EQR in order to ensure completion of the programme for the CHRP. Noted an intention is to create a separate team within both EQC and EQR to repair complex MUB properties. 	<p>The Board:</p> <ul style="list-style-type: none"> Agreed that the second MUBs PMO (a specific customer segment PMO) is not an option. Noted that Management guarantees that in no circumstance will a customer who has been waiting 3 years for a managed repair be cash settled (unless the customer agrees). <p>ACTION</p> <ul style="list-style-type: none"> Management to invite Michele Creagh (General Manager, Fletcher EQR), Graham Darlow (Chief Executive Construction Group, Fletcher Construction Company) and Mark Adamson (Chief Executive, Fletcher Building) to the February Board meeting. Management to deliver a weekly report to the Chair, the Deputy Chair and Commissioner Black for oversight of actions and output from the CE's weekly meetings with Fletchers. Management to arrange an exchange of letters between EQC and Fletchers to ensure that any agreement discussed between the CE and Fletchers is on record. CE to invite GM Stakeholder Engagement and Reputation to the February Board meeting to confirm communications around timing. Management to use the "Dwellings: settlement pathways" slide from the "Settlement Plan for 2014" presentation as a base for a monthly target accountability document and bring this document to the Board meeting in February.

	<ul style="list-style-type: none"> Noted that communications to customers have been embedded into the 2014 plan to provide information and ensure customer certainty is improved. Confirmed that GM Stakeholder Engagement and Reputation should be invited to the February Board meeting as the discussion will cover communications that will go out to the customer with clarity on time frames for repairs etc. <p>The Board:</p> <ul style="list-style-type: none"> Sought and received clarity on the remobilisation of staff and contractors from one focus area to another for repairs. Discussed the requirement for a reset of engagement of team in Christchurch (EQC) with Fletchers (Canterbury) and agreed that a weekly management report will be delivered by the CE to the Chair, the Deputy Chair and Commissioner Black for oversight of actions and output from the CE's meetings with Fletchers. Agreed that Commissioner Black should arrange a meeting with Graham Tuohey (Independent Chair of Project Control Group (PCG)). Noted that EQC will not encourage customers to Opt-Out, but that customers should be aware that Opt-Out is a choice and of the consequences and risks of that option. Emphasised that Management should continue to push as hard as possible to complete the CHRP in the timelines stated (December 2014), while ensuring that the Cash Settlement pathways are kept flowing. Suggested that the "Dwellings: settlement pathways" slide is used as a base for a monthly target accountability document to be brought to the Board in February. 	<ul style="list-style-type: none"> Management to continue to push as hard as possible to complete the CHRP in the timelines stated (December 2014), while ensuring that the Cash Settlement pathways are kept flowing.
<p>9(2)(a)</p>	<p>The Board broke for lunch at 1.10pm and resumed at 1.37pm</p> <p>[REDACTED] (Senior Policy Analyst) left the meeting at 1.10pm. Jeremy Ford (Chief Legal Advisor) joined the meeting at 1.38pm.</p>	
<p>8.</p>	<p>Conflicts of Interest</p> <p>The Chief Legal Advisor spoke to the paper noting:</p> <ul style="list-style-type: none"> That the purpose of this paper is that once approved, it will be the Board's policy document on Conflicts of Interest. <p>The Board:</p> <ul style="list-style-type: none"> Discussed the issue of how to address at a practical level the shareholdings that may be held by Commissioners that may be seen to be an interest. Agreed that this issue should be addressed by considering whether the interest is "so remote or insignificant that it cannot reasonably be regarded as likely to influence [the Board member] in carrying out [the Board member's] responsibilities under the Crown Entities Act 2004 ..." (see page 6 of the Board paper). 	<p>The Board:</p> <ol style="list-style-type: none"> Considered the contents of this paper summarising the EQC Board members' statutory obligations in relation to conflicts of interest; Agreed that the Chair and the Board members should conduct themselves, including at Board meetings, in a manner to ensure these obligations are met; Agreed that, as a matter of course, Board papers that are sent to Board members will include an updated Register of all interests previously declared by Board members. <p>ACTION</p> <ul style="list-style-type: none"> Board Executive to distribute the disclosure form to the Board members for completion prior to the next Board meeting.

Released under the Official Information Act 1982 NOTE: SOME CONTENTS OF THESE MINUTES ARE SUBJECT TO LEGAL PRIVILEGE.

		<ul style="list-style-type: none"> Once returned, the forms will be submitted to the Interests Register.
	<p><i>Jeremy Ford (Chief Legal Advisor) left the meeting at 1.53pm.</i></p>	
9.	<p>Lessons from Canterbury for EQC Service Delivery Model</p> <p>The CE provided a brief overview of the paper taking it as read and:</p> <ul style="list-style-type: none"> Noted the key areas where lessons from Canterbury have been incorporated into the process for dealing with the Cook Strait event response. Noted that the Cook Strait assessment programme is still underway, and that Management anticipates settling all claims once assessed within the 12 month time period allowable under the Earthquake Commission Act 1993. 	<p>The Board:</p> <p>a) Noted the contents of the "Lessons from Canterbury - Cook Strait Events" paper.</p>
	<p><i>Jane Whitfield (GM Project Portfolio Manager) joined the meeting at 2.10pm</i></p>	
10.	<p>Quarterly Project Portfolio Review</p> <p>The GM Project Portfolio Manager spoke to the paper noting that the projects in the portfolio will change through the year subject to changing needs, and that the intention of Management is to remain within the current budgeted framework which will require some re-prioritisation.</p> <p>The Board:</p> <ul style="list-style-type: none"> Sought and received clarity on the definition of the Business Transformation programme referred to in page 4 of the paper. Sought and received clarity on the ownership of the Complete Canterbury Response (CCR) programme which involves the transition of EQC out of Christchurch – this is owned by the CE, however a project manager is still be recruited. 	<p>The Board:</p> <p>a) Noted the contents of this paper.</p> <p>b) Noted that carrying over \$346K of Capital from 2012/13 was approved for the Information Management (BI) and HRIS projects.</p> <p>c) Noted the inclusion of the IT operations annual programme in the project portfolio in place of two specified projects in the Capital plan.</p> <p>d) Noted the addition of the Learning Management System project to the portfolio.</p> <p>e) Noted that \$3.98M is included in the year end forecast as placeholders should the Hamilton level 2 fitout, CMS upgrade, FMIS and LMS projects proceed to implementation in the current year.</p> <p>f) Noted that approval to substitute budgeted Capital between projects within the Portfolio will be requested according to Financial delegations.</p> <p>g) Noted the Forecasted Project Capital Expenditure for 2013/14 is \$5,738,712 and remains within the \$7,007,289 budget.</p>
	<p><i>Jane Whitfield (GM Project Portfolio Manager) departed the meeting at 2.15pm</i></p> <p><i>Linda Smith (Chief Information Officer) joined the meeting at 2.20pm.</i></p>	
11.	<p>ISSP Quarterly Report</p> <p>The Chief Information Officer:</p> <ul style="list-style-type: none"> Noted that the power was turned off in the Majestic Centre recently and the systems were all back up and running the following Monday with no issues. 	<p>The Board:</p> <p>a) Noted the ISSP Quarterly Report</p>

	<ul style="list-style-type: none"> Noted that network changes are being investigated for the Christchurch office as a result of a number of external network issues that have resulted in outages and degradation to email services. Advised that a number of options are being investigated for Claims Centre, noting that this will require a version upgrade. A paper will come back to the Board once a solution is sourced. 	
	<p><i>Linda Smith (the Chief Information Officer) departed the meeting at 2.35pm</i></p> <p><i>Emma Hicks (Chief Financial Officer) and Chris Chainey (Financial Controller) joined the meeting at 2.40pm.</i></p>	
12.	<p>Statement of Investment Policies, Standards and Procedures (SIPSP) Review</p> <p>The Board discussed the relevance of the current Ministerial Direction and advised Management that engagement was required with Treasury to amend this Direction to better reflect the current practices that Management is following in relation to funds held.</p> <p>The Chair:</p> <ul style="list-style-type: none"> Noted that once this report is signed off by the Board, it will be submitted to Treasury for information only. 	<p>The Board:</p> <p>a) Noted the contents of this paper.</p> <p>ACTION</p> <ul style="list-style-type: none"> Emma Hicks (Chief Financial Officer) to engage with Treasury to review the Ministerial Direction for the foreseeable future as it needs to better reflect the current status of the fund. A paper outlining the recommended changes should be brought to the Board for approval either by email or at the February Board meeting.
13.	<p>Board Evaluation Process</p> <p>The Chair spoke to the paper, seeking agreement from the Board to implement the Better Boards Appraisal online survey tool. The Chair sought confirmation that the Board requires the engagement of a facilitator to run evaluation sessions once the survey is completed.</p>	<p>The Board:</p> <p>a) Noted that Treasury's Crown Ownership Monitoring Unit (COMU) 'Owner's Expectations Manual' (the COMU Manual) includes an expectation that Boards will have in place a Board, Director and Chair performance evaluation process;</p> <p>b) Agreed that, to meet the COMU expectation in 2013/14, EQC will utilise the Institute of Directors (IoD) 'Better Boards Appraisal' online survey and report process at a cost of \$4510 plus GST; and</p> <p>c) Agreed to engage an IoD facilitator to prepare and run a discussion session of the evaluation results with the Board (either a 2-4 hour session, or a full day) at an hourly rate of \$250 plus GST for both preparation and facilitation time.</p> <p>ACTION</p> <ul style="list-style-type: none"> The CE and Chair to establish time frame and secure facilitator for implementation for the above.
14.	<p>Updated Financial Forecast</p> <p>Management spoke to the paper noting:</p> <ul style="list-style-type: none"> There is a \$25m increase in the Claims Handling Expenses (CHE) for Canterbury. A total exposure of \$100m for Cook Strait with an expected CHE of \$5m for this event. 	<p>The Board:</p> <p>a) Noted the revised financial forecasts for Canterbury CHE and Non-Canterbury Expenses</p>

	<p>The Chair:</p> <ul style="list-style-type: none"> Noted that at a previous Board meeting, Management advised that the CHE for the Cook Strait event would be significantly higher as it relates to a number of small value claims but still requires the same pipeline and workload to assess and settle – this is in contrast to the advice given above. 	<p>ACTION</p> <ul style="list-style-type: none"> Management to come back to the Board with a detailed and specific analysis of the CHE for the Cook Strait event.
<p>15.</p>	<p>Board Committee Updates</p>	
<p>15.1.</p>	<p>ARC session update</p> <p>The Chair of the ARC provided a brief overview of the discussion held at the pre-board briefing this morning noting that the key issues were addressed in the paper submitted and taken as read.</p>	
<p>16.</p>	<p>General Business</p> <p>The CE provided a brief overview of current general issues including:</p> <ul style="list-style-type: none"> Settlement with Christchurch City Council (CCC). Staff changes in the Office of the Chief Executive. Recommendations from the State Services Commission (SSC) Report. An update on the lease arrangements for both level 20 and level 23 at the Majestic Centre. 	<p>ACTION</p> <ul style="list-style-type: none"> Management to provide a briefing of the CCC settlement issues to the Chair prior to his meeting with the Mayor of Christchurch on Thursday 19 December 2013.
<p>The next Board meeting will be on Monday 17 February 2014 in Christchurch.</p> <p>The Meeting closed at 3.15 pm.</p> <p>These minutes were approved by the Board as a true and correct record.</p> <p>_____</p> <p>M L Wevers Date</p>		