

**MINUTES OF THE MEETING OF  
 THE BOARD OF THE EARTHQUAKE COMMISSION  
 Held at the Wairarapa Room, Majestic Centre Wellington  
 9.00am to 4.30pm, Thursday 18 August 2022**

**Present:**

Chris Black (Chair)  
 Erica Seville  
 Alastair Hercus  
 Emma Dobson  
 Fiona Wilson  
 Scott Lewis  
 Ruth Dyson  
 Alister James  
 Ziena Jailil

**Apologies:**

Jacqui Apiata (Future Director)

**In attendance:**

Tina Mitchell, Chief Executive Officer  
 Lars Piepke, Chief Strategy Officer  
 Kate Antonievich, Chief People Officer  
 Fraser Gardiner, Chief Financial Officer  
 Kate Tod, Chief Readiness Officer  
 Rob Hodgson, Chief Data Officer  
 Jo Horrocks, Chief Resilience and Research Officer  
 Bernadette McDougall, Head of Canterbury Claims  
 Pip Andrews, Head of On-Solds  
 Privacy ██████████, Head of Legal  
 Privacy ██████████, Head of Risk Financing  
 Privacy ██████████, Head of Health, Safety, Security and Wellbeing  
 Privacy ██████████, Head of Event Readiness and Response  
 Privacy ██████████, Head of Partnerships  
 Privacy ██████████, Manager Risk Reduction and Resilience  
 Privacy ██████████ (Secretariat)

*The meeting was declared open at 9.00am*

	AGENDA ITEMS & KEY DISCUSSION POINTS	ACTIONS REQUIRED	DUE DATE
<b>Section 1</b>	<b>Board Governance</b>		
<i>Commissioners joined the meeting at 9.00am</i>			
	<b>Board Only</b>		
<i>Tina Mitchell joined the meeting at 9.23am</i>			
	<b>Board and CE Only</b>		
<i>Lars Piepke and Privacy ██████████ joined the meeting at 9.40am</i>			
<b>1.1</b>	<b>Present and Apologies</b> The Board: a) <b>noted</b> apologies for Jacqui Apiata and Privacy ██████████		
<b>1.2</b>	<b>Interests Register/Declaration of Conflicts of Interest</b> The Board: a) <b>received</b> no updates to the Interests Register/Declaration of Conflicts of Interest.	Management to work with Ziena Jalil to correct interests register.	28 Sept 2022

1.3	<p><b>Confirmation of Board Minutes – 21 June 2022 and Matters Arising and Review of Action Items</b></p> <p>The Board:</p> <p>a) <b>approved</b> the Board minutes from 21 June 2022 as a true and accurate record</p> <p>b) <b>noted</b> matters arising and updates to the actions register.</p> <p>c) <b>noted</b> the Department of Conservation (DoC) is responsible for decisions to close the ski field when Mount Ruapehu is active (refer also to 2.1 Chief Executive Report). This is because the ski field is within the Tongariro National Park, managed by DoC (noting the same would apply to facilities and amenities in other national parks around New Zealand. DoC has a well-advanced risk management framework based on annual individual fatality rate for decision-making on these matters).</p>		
<p><i>Kate Antonievich and Privacy joined the meeting at 9.45am</i></p>			
1.4	<p><b>Health, Safety, Security and Wellbeing (HSSW) Performance Report</b></p> <p>The Board:</p> <p>a) <b>noted</b> the summary of HSSW incidents/near misses, injuries requiring medical attention, and lost time injuries provided in this report;</p> <p>b) <b>noted</b> the update on HSSW work programme delivery.</p>	<p>Management to consider critical HSSW risks and controls, and report back to the Board.</p> <p>Management to consider benchmarking of “like” industries (such as the insurance industry) in relation to incidents reported by Toka Tū Ake agents.</p>	<p>2 Nov 22</p> <p>2 Nov 22</p>
<p><i>Kate Antonievich and Privacy left the meeting at 10.12am</i></p>			
<b>Section 2</b>	<b>Strategic Priorities</b>		
2.1	<p><b>Board subcommittees and ELT charter</b></p> <p>The Board:</p> <p>a) <b>approved</b> the new Board charter which is to be read alongside the Board Governance Manual subject to incorporating the future director role and updating legislative references;</p> <p>b) <b>endorsed</b> the standing Board agenda and work programme for the Board for 2022-23;</p>	<p>Management to facilitate a strategic discussion <small>Free and frank advice</small> at the 30 November 2022 Strategy Day.</p> <p>Board to discuss the Risk Financing strategy in the context of modelling and the NSHM at the 30 November 2022 Strategy Day.</p>	<p>30 Nov 22</p> <p>30 Nov 22</p>

	<p>c) <b>approved</b> the updated charter, standing agenda and work programme for the People and Culture Board Committee;</p> <p>d) <b>approved</b> the updated charter, standing agenda and work programme for the Audit and Risk Board Committee, subject to editing all committee charters to ensure consistency for clauses covering the quorum for meetings and member voting;</p> <p>e) <b>approved</b> the establishment of the new Loss Modelling and Risk Financing Board Committee, including its charter, standing agenda and work programme;</p> <p>f) <b>approved</b> the baseline frequency of the committees meeting as outlined in paragraph 16;</p> <p>g) <b>approved</b> the membership of the three Board committees as outlined in paragraph 28; and</p> <p>h) <b>approved</b> the new charter for the Executive Leadership Team.</p>	<p>Management to provide the Free and frank advice for the April 2023 meeting.</p>	<p>13 Apr 23</p>
<p><i>Commissioners adjourned for a brief break between 10.45am and 11.00am</i> Privacy [redacted], Pip Andrews, Fraser Gardiner and Jo Horrocks joined the meeting at 11.04am</p>			
<p><b>2.2</b></p>	<p><b>Chief Executive’s Report</b></p> <p>The Board:</p> <p>a) <b>noted</b> the Chief Executive’s Report for August 2022</p> <p>b) <b>received</b> a verbal update from Jo Horrocks regarding the National Seismic Hazard Model (NSHM).</p>	<p>Management to provide an NRG update in the next CE report.</p> <p>Management to review NRG’s membership ahead of initial two-year terms expiring [redacted] Free and frank advice</p>	<p>2 Nov 22</p> <p>March 23</p>
<p>Privacy [redacted], Pip Andrews, Fraser Gardiner and Jo Horrocks left the meeting at 11.30am Hamish Wall, Bernadette McDougall and Kate Tod joined the meeting at 11.30am</p>			
<p><b>2.3</b></p>	<p><b>Performance Report: 2021-22 Year in Review</b></p> <p>The Board:</p> <p>a) <b>noted</b> the contents of this paper and the performance reports referred to in paragraphs 2a and 2b (in the Resource Centre);</p> <p>b) <b>noted</b> that this report consolidates performance metrics for the full 2021-22 financial year;</p>		

	<p>c) <b>noted</b> the EQC Performance Dashboard for May 2022 will be published on our website by 26 August 2022 (excluding the Kaikōura section and privacy near misses); and</p> <p>d) <b>noted</b> management are preparing a further iteration of the current NDRM Performance Report for Board consideration.</p>		
<p><i>Hamish Wall and Bernadette McDougall left the meeting at 12.01pm Rob Hodgson, Privacy and Privacy joined the meeting at 12.02pm</i></p>			
<p><b>2.4</b></p>	<p><b>NDRM and Readiness Update</b></p> <p>The Board:</p> <p>a) <b>endorsed</b> the readiness priorities and insurer engagements described in Appendices A to D of this paper</p> <p>b) <b>noted</b> that management will seek the Board approvals as described in the table outlined in the covering paper; and</p> <p>c) <b>noted</b> that the Board would discuss [redacted] Free and frank advice [redacted] [redacted]</p>		
<p><i>Kate Tod, Privacy Rob Hodgson and Privacy left the meeting at 12.55pm Commissioners adjourned for lunch from 1.00pm-1.40pm Rob Hodgson, Jo Horrocks and Privacy joined the meeting at 1.42pm</i></p>			
<p><b>2.5</b></p>	<p><b>Risk and Resilience Portal Update</b></p> <p>The Board:</p> <p>a) <b>noted</b> management has adjusted timelines to ensure sustainable delivery of a quality product and this means delaying the deadlines set for SoPE Measure 2.2.2 and Public Inquiry recommendation 6.1.3;</p> <p>b) <b>noted</b> anticipated launch for Phase 1 of the Portal will be early 2023;</p> <p>c) <b>noted</b> the risks, indicative costs and operational progress for Phase 1 of the Portal;</p> <p>d) <b>noted</b> management will present a comprehensive business case for Phase 1 of the Portal, that outlines actual costs in November 2022;</p> <p>e) <b>noted</b> current analysis suggests the indicative costs of the Portal development and delivery of</p>		

	<p>Phase 1 are total <span style="background-color: #cccccc;">Commercially sensitive</span> for FY2022/23 and whole of life costs for Phase 1 suggest a total of <span style="background-color: #cccccc;">Commercially sensitive</span>. This figure includes on-going opex costs for years 2–5 of <span style="background-color: #cccccc;">Commercially sensitive</span>;</p> <p>f) <b>noted</b> identified business and legal risks, and the project risk mitigation approach, to reduce or remove the risks;</p> <p>g) <b>endorsed</b> the current progress, next steps and direction of travel on Phase 1 of the Portal subject to the November 2022 business case providing:</p> <ul style="list-style-type: none"> <li>• clarity on the scope of phase 1</li> <li>• plans to ensure sufficient project resourcing, including thorough testing of various types (eg user-testing)</li> <li>• governance structure and reporting</li> <li>• clarity on risks and how these will be managed/mitigated</li> <li>• quantitative and qualitative costs and benefits and how these outcomes will be measured/monitored</li> <li>• a communications and stakeholder engagement / change plan that includes appropriate disclosures to target audiences.</li> </ul>		
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*Rob Hodgson, Jo Horrocks and Sarah-Jayne McCurrach left the meeting at 2.25pm  
 Fraser Gardiner, Scott McHardy and Briony McTaggart joined the meeting at 2.25pm*

<b>2.6</b>	<p><b>Catastrophe Bonds Update</b></p> <p>The Board:</p> <p>a) <span style="background-color: #cccccc;">Legally privileged</span></p> <p>b) noted management’s external consultation with international cat bond sponsors and New Zealand government entity investors suggests there would be a strong level of support for a Toka Tū Ake EQC-sponsored cat bond for up to US\$500 million per annum;</p> <p>c) <b>noted</b> further work is required to determine the best jurisdiction to domicile the cat bond but this will be determined by commercial factors, on the</p>	<p>Management to refer to ‘co-insurance’ as ‘self-insurance’ in future papers.</p>	<p>Ongoing</p>
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	<p>basis that legal requirements will be met for any option, <b>Commercially sensitive</b></p> <p>d) <b>noted</b> external advisors, <b>Commercially sensitive</b> <small>Commercially sensitive</small> provided comfort that unmodelled perils such as land, volcanic eruption and tsunami could be priced and included as perils in a cat bond issuance;</p> <p>e) <b>noted</b> this is likely to be on a similar basis to how our traditional reinsurers currently price this risk as part of our current reinsurance programme by applying a loading on top of the modelled earthquake risk;</p> <p>f) <b>Free and frank advice</b></p> <p>g) <b>noted</b> management will continue to develop the cat bond proposal further and will bring a business case to the 2 November 2022 Board meeting for consideration. This will include how a potential cat bond would meet the cover requirements outlined under the EQC Act 1993 on the one hand as well as fit into the wider reinsurance programme on the other.</p>		
<p><b>2.7</b></p>	<p><b>Aon contract extension</b></p> <p>The Board:</p> <p>a) <b>noted</b> the five-year term of the Aon Agreement to provide Reinsurance Brokering Services (the Agreement) ends on 31 May 2023 and includes the option for two further one-year extensions covering the 2023/24 and 2024/25 renewal periods;</p> <p>b) <b>noted</b> the risks and benefits of three contracting options we have considered: market tender now; extending the Agreement for one year; and extending the Agreement for two years;</p> <p>c) <b>noted</b> Aon has delivered on the Key Performance Indicators (KPI's) specified in the Agreement and management has been satisfied with the</p>	<p>Following the MoRF meeting, members of that Committee to provide recommendations <b>Commercially sensitive</b> for the Board to consider and approve (either as an e-vote or at the 28 September Board meeting).</p>	<p>28 Sept 22</p>

	<p>reinsurance broker services provided by Aon over the five-year period of the Agreement;</p> <p>d) noted that management recommends a two-year extension of the Agreement to provide stability and consistency in the reinsurance programme for 2023/24 and 2024/25, especially given the uncertainty as to how the market structure may change in New Zealand as a result of the Toka Tu Ake EQC building cap increasing from \$150,000 (plus GST) to \$300,000 (plus GST);</p> <p>e) noted the financial costs of a two-year extension are <b>Commercially sensitive</b> that management considers those costs are reasonable and that the costs have been factored into our Budget Economic and Fiscal Update 2022 (BEFU 2022);</p> <p>f) noted that if the Board supports a two-year extension, Toka Tū Ake EQC would begin the next procurement process for reinsurance brokering services in May 2024, once the 2024/25 reinsurance programme has been placed;</p> <p>g) approved the extension of the Agreement with Aon for two years to May 2025</p> <p>h) delegated responsibility for execution of the extension agreed in (g) to the Chief Executive.</p>		
<p>Privacy <b>Fraser Gardiner</b> and Privacy <b>left the meeting at 2.51pm</b> Commissioners adjourned for a brief break between 2.51pm and 3.10pm Kate Antonievich and Fraser Gardiner joined the meeting at 3.10pm</p>			
<p><b>2.8</b></p>	<p><b>Property options</b></p> <p>The Board:</p> <p>a) noted the Delegations Framework (3.1 Property Leases) requires Board approval (or a Power of Attorney from the Board to be in place for the Chief Executive or Chief Financial Officer to approve) any agreement of lease, deed of lease, license, variation, renewals, surrenders and rent reviews;</p> <p>b) noted that the Toka Tū Ake EQC current lease at 1 Barry Hogan Place, Christchurch is due to expire on 31 December 2022;</p> <p>c) approved Toka Tū Ake EQC providing notice to not renew the lease at 1 Barry Hogan Place,</p>	<p>Management to arrange an assessment of <b>Commercially sensitive, Negotiations</b> incorporate updated engineering insights on failure modes and evacuations.</p>	<p>30 Sep 22.</p>

	<p>Christchurch, and for all Christchurch-based staff members to consolidate into the Princess Street, Christchurch office;</p> <p>d) Commercially sensitive</p> <p>e)</p>		
<p><i>Kate Antonievich left the meeting at 3.33pm</i></p>			
<b>Section 3</b>	<b>Performance &amp; Reporting</b>		
	<p>The Board:</p> <p>a) noted no papers (see item 2.3 above)</p>		
<b>Section 4</b>	<b>Financial &amp; Risk</b>		
<b>4.1</b>	<p><b>Financial Reporting – June 2022</b></p> <p>The Board:</p> <p>a) noted the following comments on the provisional June 2022 financial performance:</p> <ul style="list-style-type: none"> <li>i. The financial results reported in this paper are subject to audit clearance and Insurance Liability Valuation Report adjustments.</li> <li>ii. The reported surplus for the month was \$11.9m, favourable to forecast by \$0.6m.</li> <li>iii. Net claims expenses were \$3.7m below forecast, driven by lower BAU claim costs.</li> <li>iv. Net corporate centre costs (BAU) were above forecast (\$3.6m) driven by timing of the intangible asset write-off, reclassification of project capex to opex and timing of business unit spend.</li> <li>v. The full year provisional surplus was \$57.7m (\$19.8m above forecast levels). This was mainly driven by lower claim costs (\$17.9m) and operating costs (\$1.1m).</li> </ul>	<p>Management to re-circulate a previous paper on temporary accommodation for claims related non-standard payments.</p> <p>Management to include a variance to the 2022-23 SoPE financial budgets in the 2022-23 Finance Reports.</p>	<p>1 Dec 22</p> <p>30 Jun 23</p>



	<p>vi. Cash and Investments held at 30 June 2022 were \$257m. The cashflow forecast anticipates that the Natural Disaster Fund (NDF) balance will reduce to <sup>Commercially sensi</sup> [redacted] in August 2022, when the next reinsurance quarterly invoice is due to be paid.</p> <p>vii. Natural Disaster Fund investment is compliant with policy. <sup>Commercially sensitive</sup> [redacted]</p>		
<p><b>4.2</b></p>	<p><b>Draft ILVR as at 30 June 2022</b></p> <p>The Board:</p> <p>a) <b>noted</b> that MJW and management have now completed a final draft of the June 2022 ILVR, based on data as at 30 June 2022. This follows on from the initial ILVR considerations paper presented to the 29 June 2022 ARC meeting and discussion of the draft report at the 9 August 2022 ARC meeting;</p> <p>b) noted an increase in the ultimate claims cost of \$201m, primarily due to a strengthening of the building future reopen claims cost assumption, allowance for inflation, and bringing in a provision in respect of assistance for overcap On-Sold claims which are not eligible for the Crown On-Sold Programme;</p> <p>c) <b>noted</b> that MJW have not included any provisions regarding <sup>Commercially sensitive</sup> [redacted]        [redacted]        [redacted]        [redacted]</p> <p>d) <b>noted</b> an increase in the Kaikoura ultimate claims cost of \$2m, mainly due to updating assumptions based on recent experience;</p> <p>e) noted the Audit and Risk Committee endorsed the 30 June 2022 ILVR for acceptance by the Board after discussing the draft report with management and MJW at the ARC meeting on 9 August 2022; and</p> <p>f) <b>accepted</b> the 30 June 2022 ILVR.</p>		
<p><b>4.3</b></p>	<p><b>Redacted Board Minutes – 12 May 2022</b></p> <p>The Board:</p>		

	a) <b>approved</b> redacted Board Minutes from 12 May 2022 as a true and accurate record.		
<b>4.4</b>	<p><b>Policies from ARC</b></p> <p>a) <b>noted</b> ARC at their meeting on 29 June 2022, discussed the annual reviews of the Risk Management Policy, Risk Management Framework, Compliance Policy, Direct EQCover Policy and Sensitive Expenditure Policy;</p> <p>b) <b>noted</b> ARC endorsed Management’s recommendations to approve the reviewed policies; and</p> <p>c) <b>approved</b> the following policies, endorsed by ARC (subject to Board amendments)</p> <ul style="list-style-type: none"> <li>• Risk Management Policy</li> <li>• Risk Management Framework</li> <li>• Compliance Policy</li> <li>• Direct EQCover Policy</li> <li>• Sensitive Expenditure Policy.</li> </ul>	<p>Management to incorporate the following edits:</p> <ul style="list-style-type: none"> <li>• The Board “accepts” rather than “approves” risks that are outside the agreed risk appetite (page 297 of the Board pack).</li> <li>• An additional sentence in Section 3.2.5 of the Risk Management Policy (page 304 of the Board pack), –</li> </ul> <p><i>“Upon closure of the project/programme, all the residual project risks are to be formally handed over to the business to ensure they continue to be monitored and mitigated as appropriate in a run-state environment.”</i></p>	30 Aug 22
<i>Fraser Gardiner left the meeting at 4.02pm</i>			
<b>Section 5</b>	<b>Committee Updates</b>		
<b>5.1</b>	<p><b>Audit &amp; Risk Committee</b></p> <p>The Board:</p> <p>a) <b>noted</b> no further updates from the Audit &amp; Risk Committee.</p>		
<b>5.2</b>	<p><b>People and Culture Committee</b></p> <p>The Board:</p> <p>a) <b>received</b> a verbal update from the Chair of the People and Culture Committee; and</p> <p>b) <b>approved</b> the approach and costs for the Board annual review as recommended by the PCBC committee.</p>		
<b>Section 6</b>	<b>Correspondence</b>		
<b>6.1</b>	<p><b>Deficiency Funding Deed</b></p> <p>The Board:</p>		

	a) noted the update on key topics and issues.		
<b>Section 7</b>	<b>Other business</b>		
	<p><b>The Board</b></p> <p>a) noted logistics for the approval of the annual report and that the next ARC meeting would be moved from 8 September 2022 to 7 September 2022 with all available board members attending the annual report update at this meeting.</p>		
<p><i>Tina Mitchell, Lars Piepke and Privacy ██████████ left the meeting at 4.15pm</i></p> <p><i>Commissioners left the meeting at 4.30pm</i></p> <p><i>The meeting closed at 4.30pm</i></p>			
	<p>The next meeting is to be held on 28 September 2022.</p> <p>These minutes were approved by the Board as a true and correct record.</p> <p>_____ <u>28 September 2022</u></p> <p>Ruth Dyson                      Date</p> <p>Acting Board Chair</p>		