

**MINUTES OF THE MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION
Held at Majestic Centre, 100 Willis Street, Wellington
Wednesday 22 August 2018**

Present:

Dame Annette King (Chair)
Mary-Jane Daly
Alison O'Connell
Paul Kiesanowski
Erica Seville
Toni Ferrier

Apologies:

Tim Hurdle

In attendance:

Sid Miller, Chief Executive
Chris Chainey, Chief Financial Officer
Renee Walker, Deputy Chief Executive – Canterbury and
External Affairs
Jayne Lapin, GM People, Culture and Change
Hugh Cowan, GM Resilience
Paul Jepson, Deputy Chief Executive - Operations
Jeremy Ford, General Counsel
9(2)(a) Principal Advisor – Strategy
9(2)(a) Treasury
(Executive Assistant to the Chief Executive) –
Minutes

The meeting was declared open at 1:18pm.

	AGENDA ITEMS & KEY DISCUSSION POINTS	ACTIONS REQUIRED	DUE DATE
Section 1	Board Governance		
	<i>Commissioners only (in committee) at 12.30pm</i>		
	<i>Commissioners and Chief Executive only at 1:05pm</i>		
	<i>Hugh Cowan, Chris Chainey, Renee Walker, Jeremy Ford, Paul Jepson, Jayne Lapin, and 9(2)(a) (EQC) and 9(2)(a) (Treasury) joined the meeting at 1:18pm</i>		
1.1	Present and Apologies The Board: b) noted that an apology was received from Tim Hurdle.		
1.2	Interests Register/Declaration of Conflicts of Interest The Board: d) noted the interests register; e) confirmed there were no other conflicts of interest advised for matters on the agenda for the meeting.		
1.3	Health and Safety Report	<ul style="list-style-type: none"> Management to confirm what the term <i>Noncompliance</i> 	

	<p>The Board:</p> <ul style="list-style-type: none"> a) noted there were 99 events reported in July; none of a critical nature; b) noted there was one recordable injury reported in July 2018; c) noted the information contained in the Performance Pack; and d) noted the requirements for health and safety site monitoring contained in the Appendix to the Board paper e) agreed, that Board members engage in at least one site visit (ideally more) per annum and that this visit is based on critical risk. f) noted that the Board would also like to include a health and safety training component as part of the annual Board process. g) requested Management to incorporate the feedback provided on the functions and objectives for the Board contained in the Health, Safety and Wellbeing Governance Framework. 	<p>mentioned in the Health and Safety Report, indicates.</p> <ul style="list-style-type: none"> • Management to incorporate the feedback provided by Board members on the functions and objectives for the Board contained in the Health, Safety and Wellbeing Appendix. • Management to review other organisations to recommend best practice for the number of health and safety visits by Board Members per annum. 	
1.4	<p>Wellbeing Assessment</p> <p>The Board:</p> <ul style="list-style-type: none"> a) noted the findings of the Umbrella Wellbeing Survey and the subsequent approach and actions that management are taking in response to the findings; and b) noted that the Board will be updated on the progress of the actions via the monthly Health and Safety Board report, that will be renamed Health, Safety and Wellbeing. c) noted that the findings of the Umbrella Wellbeing Survey will be shared with staff and that the survey will be repeated in June 2019. 	<ul style="list-style-type: none"> • Management to repeat the Wellbeing Survey in June 2019. 	
Section 2	Strategic Priorities		
2.1	<p>Chief Executive's Report</p> <p>The Board:</p> <ul style="list-style-type: none"> a) noted the updates provided in the Chief Executive's Report on; <ul style="list-style-type: none"> i. GeoNet Update 	<ul style="list-style-type: none"> • Management to revise the BCP page to correct the contact details for Erica Seville and Toni Ferrier. • Management to provide support to current and past 	

	<ul style="list-style-type: none"> ii. Organisational Structure/Transformation Update iii. Reinsurance Consultation Process iv. Reinstatement of Direct Cover v. Residential Red Zone vi. Business Continuity vii. Half Year Economic and Fiscal Update (HYEFU) Forecast viii. Inquiry Update ix. Communications Update 	<p>Board members, current and past staff, around the Inquiry.</p> <ul style="list-style-type: none"> • Management to ask the Chair of the Inquiry to brief the Board at the Inquiry's commencement. 	
2.2	<p>Dispute Resolution Strategy for Canterbury Claims</p> <p>The Board:</p> <ul style="list-style-type: none"> a) noted a panel of independent lawyers (the Panel) was appointed to review EQC's strategy associated with responding to residual building claims in litigation arising out of the Canterbury Earthquake Sequence; b) accepted the independent review of EQC's litigation strategy (appended as Schedule 2 to the Board Paper); c) noted the Panel has recommended that its report should remain subject to legal privilege; d) accepted all recommendations of the Panel; e) approved the three key initiatives that Management is recommending to address operational challenges, and deliver a more consistent customer experience; and f) approved Management's approach to monitoring the effectiveness of initiatives through regular updates to the Board. 	<ul style="list-style-type: none"> • Management to provide a breakdown of the 412 open litigation claims and report progress on resolving these at each Board meeting. 	
2.3	<p>Update on Integrated Claims Management – Governance, Delivery and Monitoring</p> <p>The Board:</p> <ul style="list-style-type: none"> a) noted the update provided on progress to date on the integrated claims management model and the work EQC has been undertaking to ensure its operations to integrate with the model; b) noted the Programme Plan will ensure that the impact of the establishment of the 		

	<p>Greater Christchurch Claims Resolution Service (GCCRS) on EQC operations is minimalised;</p> <p>c) noted the key focus activities for EQC to support the establishment of the GCCRS;</p> <p>d) noted that a project team has been established within EQC to oversee this work and it is largely focused on IT systems and platforms; and</p> <p>e) noted that with the establishment of GCCRS an internal transformation programme will be established to focus on current staffing and resource levels.</p>		
2.4	<p>Strategic Review of Agency Response Model Pilot – Kaikoura Earthquake</p> <p>The Board;</p> <p>a) noted the scope and approach taken to the Strategic Review;</p> <p>b) noted the progress made to date;</p> <p>c) noted the next steps and key milestones; and</p> <p>d) agreed that reporting to the Board on progress on the Strategic Review of the Agency Resonse Model Pilot – Kaikoura Earthquake would be provided monthly and, if required, a conference call would be held between Board meetings, as a mechanism for the Board to provide on-going governance and direction as the Strategic Review progresses.</p>		
2.5	<p>Protocol 7 Arrangement Between EQC and the Insurance Council of New Zealand</p> <p>The Board:</p> <p>a) noted that EQC is working with the Insurance Council of New Zealand and insurers on a silt and debris removal agreement implementing Protocol 7;</p> <p>b) noted that EQC will report to the Board on instances where Protocol 7 is invoked;</p> <p>c) agreed to EQC finalising Protocol 7 with the Insurance Council of New Zealand and insurers; and</p> <p>d) delegated authority to the Chief Executive to sign the agreements with private insurers implementing Protocol 7.</p>	<ul style="list-style-type: none"> • Management to report back to the Board on any occasions that Protocol 7 has been initiated and why. 	

Section 3	Financials and Risk		
3.1	<p>Financial Pack and Investment Report July 2018</p> <p>The Board:</p> <ul style="list-style-type: none"> e) noted the accompanying July 2018 Financial pack and Investment Report; f) noted the financial pack provides a summarised view of the month's financial results; with a more detailed financial pack (as previously produced) also available in the Resource centre; g) noted that the July financial pack does not include the usual page titled "ILVR – Comparisons to Assumptions" as this is currently being rebuilt following the acceptance of the June 2018 ILVR (subject to audit review); h) noted that the current delegation levels referred to on the page titled "Claim related Non-Standard payments", relate to the current structure and that these are currently being updated to reflect the new structure announced by the CEO last week; i) noted that the financial results are compared against the BEFU budget approved by the Board in March 2018; j) approved the submission to Treasury of the cash flow shown on page 6 of the pack. This indicates that EQC may need to draw funds from the Crown in February 2019; and k) noted that the following comments on June's financial performance: <ul style="list-style-type: none"> i. Month revenue slightly below budget (\$0.1m). ii. Core costs below budget (\$0.2m) for the month. This is mainly driven by lower workforce expenses (FTE levels 18 below expected levels) partly offset by higher grants and sponsorship costs. iii. Event costs below budget for month (\$2.1m), mainly due to lower than planned Kaikoura costs (\$1.9m). iv. Cash and Investments held at 30 June were \$181m. 		
	<p>9(2)(a) [REDACTED] joined the meeting at 3.22pm</p>		
3.2	Finalising the section 16 Deed with the Crown		

	<p>The Board:</p> <ul style="list-style-type: none"> a) noted that Management consider that the section 16 Deed provides sufficient operational certainty for the Board of the Earthquake Commission in the event that Board needs to call on the Crown's guarantee as set out in section 16 of the Earthquake Commission Act, 1993; b) noted that Management has sought external advice from Chapman Tripp and EY on the proposed Deed and has provided the suite of documents to the Deputy Chair for their review as well; c) noted that Management intends to provide regular reporting on the operation of the Deed, including the presentation of cash-flow forecasts and any necessary draw-downs against section 16 as part of the regular Finance report to the Board; d) noted that as part of the final signoff process the Chair and the Chair of the Audit and Risk Committee will be included for any draw-down against section 16; e) noted that Treasury will be seeking agreement from the Minister Responsible for the Earthquake Commission to sign the Deed as soon as practical; and f) agreed that the Chair signs the section 16 Deed once the Minister Responsible for the Earthquake Commission has agreed to the Deed. 		
	<p>9(2)(a) left the meeting at 3.24pm.</p>		
<p>3.3</p>	<p>Potential Reasons for Overcap Payments</p> <p>The Board:</p> <ul style="list-style-type: none"> a) noted that there is a range of scenarios described in this paper where currently EQC may pay (or be seen to be paying) above the building claim cap (which is usually \$100,000 + GST); b) noted that in some of these scenarios, a customer may have received more than \$100,000 + GST in total from EQC. But this does not mean that the amount of the insurance EQC paid in settlement of their residential building claim(s) exceeded the 		

	<p>EQC per event cap;</p> <p>c) noted that in other cases, EQC is awaiting reimbursement from the private insurer in relation to payment above the EQC cap. This will mainly be addressed in the insurer finalisation wash-up; and</p> <p>d) noted that Management will work to increase the transparency of reporting through the monthly financial pack in relation to scenarios where currently EQC may pay above the building claim cap and the reason for the situation and the mechanism for recovery should this be required</p>		
3.4	<p>Delegations Framework Update</p> <p>The Board:</p> <p>a) approved the addition of 9(2)(a) (Manager Financial Control) and 9(2)(a) (Finance Strategic Partner) to the bank mandate;</p> <p>b) noted that Trish Keith (Chief Customer Officer) has been removed from the bank mandate as she has left the organisation; and</p> <p>c) noted that the Delegations Framework will be updated to reflect the restructure of the Executive Leadership Team.</p>		
Section 4	Performance		
4.1	<p>EQC Performance Dashboards</p> <p>The Board:</p> <p>a) noted that this paper accompanies the EQC's Executive Dashboard to 31 July 2018 and provides qualitative commentary on performance to supplement the quantitative information shown in the dashboard;</p> <p>b) noted that as requested by the Board the dashboard has been enhanced to provide;</p> <ol style="list-style-type: none"> information on progress against claim related 2018/19 Statement of Performance Expectations (SoPE) targets; more comprehensive reporting on customer satisfaction, including 	<ul style="list-style-type: none"> Management to provide a paper on how EQC would respond should a significant event occur whilst the comprehensive Readiness Strategy is still under development. 	

	<p>information on the proportion of dissatisfied and neutral customers;</p> <ul style="list-style-type: none"> c. a view on how our Human Resource metrics compare to Public Service Benchmarks; and d. the re-inclusion of the Enterprise Change Programme Dashboard. <p>c) noted at the time of reporting, no data has yet been received from private insurers in relation to Kaikoura. June data has been used where appropriate. The relevant measures and tables will be updated upon receipt of the information;</p> <p>d) provided feedback on the format and content of the dashboard; and</p> <p>e) noted that as part of the response to Independent Ministerial Advisor's report the dashboard will be published on EQC's website post the Board meeting (and the inclusion of Kaikoura data).</p>		
4.2	<p>Legal and Litigation Report</p> <p>The Board:</p> <p><u><i>Litigation updates</i></u></p> <p>c) noted an overview of recent developments associated with EQC's litigation caseload:</p> <ul style="list-style-type: none"> i. EQC was served with 51 new proceedings and closed 14 proceedings between June and July 2018; ii. An update on the IAG and Tower ILV Land Litigation; iii. There are two Whanganui High Court landslip proceedings scheduled for a hearing in September-October 2018; iv. An update on the current status of the proposed negligence test case/s; and v. An update on the implications for EQC of the Interest on Money Claims Act 2016. <p>d) noted an update on initiatives to provide customers who have commenced litigation against EQC with alternate settlement pathways other than proceeding via the Court process, namely:</p> <ul style="list-style-type: none"> i. A status update in respect of the 		

	<p>proposed protocol with the Residential Advisory Service (RAS); and</p> <p>ii. A proposed litigation protocol with IAG.</p> <p><u>Legal updates</u></p> <p>e) noted an update on the Canterbury Earthquakes Insurance Tribunal Bill;</p> <p>f) noted an update on the Earthquake Commission Amendment Bill; and</p> <p>g) noted an update on the Ministry of Business Innovation and Employment-led insurance contract law reform.</p>		
Section 5 General Business			
5.1	<p>Update from Reinsurance and Resilience Committee</p> <p>The Board:</p> <p>a) noted the verbal update provided by Alison O'Connell on the first meeting of the Reinsurance and Resilience Committee that was held earlier in the day.</p>		
5.2	<p>Matters Arising and Action Items</p> <p>The Board:</p> <p>c) noted the updated Matters Arising and Action Points.</p>		
5.3	<p>Confirmation of Board Minutes – 9 July 2018</p> <p>The Board</p> <p>a) confirmed the Draft Board Minutes from the meeting held on 9 July 2018 as a true and accurate record.</p>		
5.4	<p>Ratification of Evote – ILVR</p> <p>The Board;</p> <p>b) ratified the Evote <i>ILVR</i> which was passed by evote on 1 August 2018; and</p> <p>c) noted that due to an audit issue found by Ernst Young in the ILVR this document will be recirculated to the Board for approval.</p>		
5.5	<p>Confirmation of Health and Safety Board Committee Minutes – 9 April 2018</p>		

	<p>The Board;</p> <p>a) confirmed the draft minutes of the Health and Safety Board Committee meeting held on 9 April 2018 as a true and accurate record as no further meeting of this Committee is planned.</p>		
5.6	<p>Proposed Redactions to the Board Minutes – from May 2018</p> <p>The Board:</p> <p>a) approved the public release of the redacted Minutes for its meetings on 1 May and 28 May 2018.</p>		
5.7	<p>Correspondence from Hon Megan Woods to Dame Annette King</p> <p>The Board;</p> <p>a) noted the letter from Hon Megan Woods, Minister Responsible for the Earthquake Commission to Dame Annette King confirming an extension of her appointment as Interim Chair until 31 October 2018.</p>		
	<p>The next meeting is to be held on 24 September 2018 in Christchurch</p> <p>The Meeting closed at 4:02pm These minutes were approved by the Board as a true and correct record.</p> <p>_____</p> <p>Dame Annette King Date</p> <p>Interim Board Chair</p>		