

**MINUTES OF THE MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION**
Held in the Wairarapa Room, Majestic Centre, 100 Willis Street, Wellington
9.30am – 4.00pm, Monday 26 August 2019

Present:

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

Apologies:

Sid Miller

9(2)(a)

In attendance:

Renee Walker, Acting Chief Executive
Chris Chainey, Chief Financial Officer
Paul Jepson, Deputy Chief Executive – Operations
9(2)(a) Interim Chief People Officer
9(2)(a) Head of Claims
Benesia Smith, Head of EQC Inquiry Team
9(2)(a) Deputy Head of EQC Inquiry Team
9(2)(a) Senior Advisor
9(2)(a) Senior Advisor
9(2)(a) QC
9(2)(a) EA to CE (Secretariat)

The meeting was declared open at 9:30am

	AGENDA ITEMS & KEY DISCUSSION POINTS	ACTIONS REQUIRED	DUE DATE
Section 1	Board Governance		
<i>Commissioners entered the meeting at 9:30am</i>			
	Board Only		
<i>Renee Walker and Southern Response Board entered the meeting at 10:12am</i>			
	Visit from the Southern Response Board		
<i>Southern Response Board left the meeting at 10:50am</i>			
	Board and CE Only		
9(2)(a) and 9(2)(a) entered the meeting at 11.30am			
1.1	Present and Apologies The Board: a) noted apologies were received from Sid Miller and 9(2)(a)		
1.2	Interests Register/Declaration of Conflicts of Interest The Board: a) noted the update to the conflicts of interest register from Erica Seville.		





1.3 Health Safety and Wellbeing Report	<p>The Board:</p> <ul style="list-style-type: none"> a) noted there were 35 incidents reported in July, none of a critical nature; b) noted there were no Medical Treatment Injuries (MTI) or Lost Time Injuries in EQC; c) noted the update and actions taken and planned to improve our peoples safety; and d) noted that the Board will receive updates on the progress of the management actions via the monthly Health, Safety, Security and Wellbeing report. 		
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9(2)(a) left the meeting at 11:35am
Chris Chainey and Paul Jepson entered the meeting at 11:35am

Section 2	Strategic Priorities		
2.1 Chief Executive's Report	<p>The Board:</p> <ul style="list-style-type: none"> a) noted the contents of the paper provided on: <ul style="list-style-type: none"> a. EQC strategy b. 'On-sold' properties c. Cabinet papers d. Review of Ministerial Directions e. Munich Re visit to Wellington f. Revera Information Security Risk; and b) agreed that Board engagement is required in relation to the EQC Strategy working group; c) noted a substantive update on the EQC Strategy working group's progress will be provided to the Board at the September Board meeting; and d) noted an EQC strategy session with the Board is to be organised to be held on the 31st October 2019. 	<ul style="list-style-type: none"> • Management to provide a substantive update on the EQC Strategy working group's progress at the September Board Meeting and organise a strategy session with the Board at the end of October 	Sept - 19

Chris Chainey and Paul Jepson left the meeting at 11:43am
Benesia Smith, **9(2)(a)** and **9(2)(a)** entered the meeting at 11.44am

2.2 Public Inquiry into EQC - Update	<p>The Board:</p> <ul style="list-style-type: none"> a) noted the update on the Public Inquiry; b) approved the penultimate draft submission (Attachment A), subject to any final spelling and grammar edits; c) noted the indicative draft formal apology statement (Attachment C), indicative draft speaking notes for 		
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	<p>delivering the public apology (Attachment D), and high level communications approach for the public apology (Attachment E);</p> <p>d) noted the approach of incorporating public presentations of the apology as part of the showcasing of the Annual Report 2018-19 when it is released in late September/early October;</p> <p>e) 9(2)(h) </p> <p>f) discussed the delivery of the EQC apology;</p> <p>g) noted the differing views in relation to the apology being delivered via public presentations vs in a more personal, less public way;</p> <p>h) agreed the timing of the apology will be in line with the showcasing of the EQC Annual Report release;</p> <p>i) agreed the main contextual part of the apology will be included in the Chairman's Report section of the Annual Report;</p> <p>j) agreed that the Board will ring key stakeholders to speak with/apologise to in a personal way prior to the public apology;</p> <p>k) noted the alternative apology delivery suggestions instead of public presentations;</p> <p>l) agreed Sir Michael will be in Christchurch for the Annual Report release; and</p> <p>m) noted that the Inquiry Team and Comms Team will take the Board's feedback into consideration and review the comms approach to the apology delivery.</p>	<ul style="list-style-type: none"> • Inquiry Team and Comms Team to take the Board's feedback into consideration and review the comms approach to the apology delivery 	<p>Sept - 19</p>
<p>Benesia Smith, 9(2)(a)  and 9(2)(a)  left the meeting at 12:40pm The meeting adjourned for lunch between 12.40 -1.07pm</p>			
<p>Renee Walker, 9(2)(a)  Paul Jepson & Chris Chainey entered the meeting at 1:07pm</p>			

<p>2.3</p>	<p>Transformation Update</p> <p>The Board:</p> <ul style="list-style-type: none"> a) noted the Transformation Update; b) noted the Board agenda this month includes specific papers which impact workstreams 4a (Enabling Systems), 5 (Future Claims Operating Model) and 6 (Insurer Finalisation); c) noted the update to the Board on legal issues was not included in the Transformation Update and will be included in the next Board meeting; d) noted Paul Jepson's verbal update on the key areas in the Systems Transformation workstream; and e) confirmed the level of information on workstream progress within the Transformation Update is sufficient and that the Transformation Update should continue to be provided to Board. 		
<p>2.4</p>	<p>Investment Pool Utilisation</p> <p>The Board:</p> <ul style="list-style-type: none"> a) endorsed the outlined project spend of \$6.12m, noting that Management wish to retain the BEFU number of \$10m to provide flexibility during later stages of the financial year; b) noted that spend within the pool will be governed by the Transformation Steering Group; c) noted that the Board will be provided with relevant business cases, where delegation sits with the Board or where the Board request visibility due to strategic risks; d) approved the Modern Workspace business case presented in Appendix 1 including the various recommendations within the business case; and e) noted that some IT items ie. maintenance and servicing, will be included in the BAU budget moving forward. 		
<p><i>Chris Chainey and Paul Jepson left the meeting at 1:15pm</i> 9(2)(a) entered the meeting at 1:16pm</p>			
<p>2.5</p>	<p>EQC Readiness & Response Model</p> <p>The Board:</p>		

	<p>a) noted the current and assumed future claim response capability and capacity (per annum) across the response models;</p> <p>b) noted that we are applying lessons learned, themes and focus areas of previous reviews, and compliance requirements to the design process;</p> <p>c) noted the identified legislative, regulatory, and policy requirements of both EQC and the insurers;</p> <p>d) agreed on the critical success factors developed and areas of relative importance (if any) across the factors to guide design of the future claims operating model;</p> <p>e) noted Management's hypothesis that, based on lessons learned, EQC's future role should see EQC play a strategic leadership role in response to a natural disaster event;</p> <p>f) noted the risks with outsourcing claims management functions to external parties and the proposed approach to managing these risks through:</p> <ul style="list-style-type: none"> i. developing multiple response models and contingency options, and ii. understanding appropriate risk allocation, controls, and decision rights, within response options, to provide Board with confidence and control in relation to the approach for managing EQC's obligations and bottom-lines in negotiations; and <p>g) noted we will seek your feedback and comment on EQC's 'non-negotiable items' in relation to discussions with insurers through a Board paper in September; and</p> <p>h) requested that management come back to Board with a more structured paper outlining what the non negotiable items are for EQC and what the non negotiable items are for insurers as well as a timeline with key milestones and a plan for what is required (ie. Resourcing and support) to have an Agency agreement in place by the end of the year</p>	<ul style="list-style-type: none"> • Management to come back to Board with a more structured paper outlining what the non negotiable items are for EQC and what the non negotiable items are for insurers as well as a timeline with key milestones and a plan for what is required (ie. Resourcing and support) to have an Agency agreement in place by the end of the year 	Sep-19
2.6	Insurer Finalisation Update The Board:		

	<p>a) noted the status of work and discussions with each insurer within the Insurer Finalisation programme; and</p> <p>b) did not approve delegated authority for Renée Walker and 9(2)(a) to begin negotiations with Tower on settlement of their land litigation claim up to the value of \$10m;</p> <p>c) provided feedback that for delegated authority to be approved, a more detailed structure and framework for negotiations, broader implications of the finalisation approach and a legal view of the programme needs to be provided to the Board; and</p> <p>d) noted management will be provide an updated paper at the September Board meeting.</p>	<ul style="list-style-type: none"> Management to provide an updated paper at the September Board meeting including a more detailed structure and framework for negotiations, broader implications of the finalisation approach and a legal view of the programme 	Sept-19
2.7	<p>Southern Response Transition Plan</p> <p>The Board:</p> <p>a) noted EQC have co-located staff within SRES to identify ways to improve claims management between both organisations;</p> <p>b) noted the three options for structuring the commercial arrangements between EQC and SRES;</p> <p>c) noted the initial analysis that has been provided for each of the commercial arrangements;</p> <p>d) noted that EQC staff will undertake more analysis on the preferred way forward for the Board's consideration in the September Board meeting;</p> <p>e) noted that regardless of the commercial arrangement selected, a Ministerial Direction would be required for EQC to carry out a claims management function for SRES;</p> <p>f) noted that this paper will be shared with SRES and Treasury to help inform decisions with any potential arrangements;</p> <p>g) discussed the contents of this Paper during meeting with SRES Board;</p> <p>h) noted that in place of recommendation d), management will bring more information about risks associated with the commercial arrangements to the September Board meeting.</p>	<ul style="list-style-type: none"> Management to bring more information about risks associated with the commercial arrangements to the September Board meeting. 	Sept-19
<p>9(2)(a) left the meeting at 2:02pm Chris Chainey entered the meeting at 2:04pm.</p>			
2.8	Direct Cover Update		

	<p>The Board:</p> <ul style="list-style-type: none"> a) noted that Management has reviewed the Direct EQCover policy and believes that it continues to be fit for purpose and helps ensure New Zealanders have access to natural hazard insurance and reinsurance; b) noted that a number of themes surrounding customer enquiries for Direct EQCover have arisen since Direct EQCover was reintroduced, including homeowners who have had private insurance cancelled after settlement for natural disaster damage; c) noted that Management continues to closely monitor emerging themes and, should there be a marked change in application rates and the reason for these, such as “affordability”, we would consider these changes and provide timely advice to the Board; and d) agreed that the next scheduled review of the Direct EQCover policy should be changed to August 2020. 		
Section 3	Performance and Reporting		
3.1	<p>EQC Performance Report – June 2019</p> <p>The Board:</p> <ul style="list-style-type: none"> a) noted that this paper accompanies the EQC’s Executive Dashboard to 31 July 2019 and provides qualitative commentary on performance to supplement the quantitative information shown in the dashboard; b) noted that EQC’s Executive Dashboard to 31 July 2019 (excluding the section pertaining to Kaikōura and information relating to near misses in the Privacy Breaches section) will be published on EQC’s external website by 31 August 2019; and c) noted the media driven increase in claim reopen rates. 		
Section 4	Financial and Risk		
4.1	<p>Financial Reporting</p> <p>The Board:</p> <ul style="list-style-type: none"> a) noted the accompanying July 2019 Financial pack; b) noted the financial pack provides a summarised view of the month’s financial results; 		

	<p>c) noted the following comments on the July financial performance:</p> <ul style="list-style-type: none"> i. Revenue below budget (\$40.1m). This is due to funds received by Treasury (\$40m); together with higher interest income (\$0.2m) partly offset by lower premiums (\$0.1m); ii. Core operating costs below budget (\$0.7m). This is mainly driven by lower workforce expenses (\$0.6m) driven by savings resulting from lower FTE levels and timing of project spend; iii. Event operating costs below budget (\$0.4m). This is mainly due to lower than expected consultancy spend (mainly insurer finalisation team). iv. Cash and Investments held at 31 July were \$78m; and <p>d) approved drawdown of \$50m (plus GST) under section 16 of the EQC Act for 1 October 2019.</p>		
4.2	<p>Delegation Framework Update</p> <p>The Board:</p> <ul style="list-style-type: none"> a) approved the addition to the declining claims section of the Framework of 'may decline the claim if the lapse of time before the notice was given materially prejudices the Commission's ability to assess the claim.' for both the Chief Executive and Deputy Chief Executive Readiness and Recovery; and b) approved the addition of an Employee Wellbeing Fund section within the HR section of the DFA Framework to allow Tier five managers and above the ability to approve up to \$350 per person per annum. 		
<i>Chris Chainey left the meeting at 2.30pm</i>			
4.3	<p>EQC Information Policy</p> <p>The Board:</p> <ul style="list-style-type: none"> a) noted the Policy defines the EQC Information Policy Framework, which governs information, data, and information security within EQC and formalises the adoption of the New Zealand Government standards including the Protective Security Requirements (PSR), Information Security Manual (NZISM), and the Archives New 		

	<p>Zealand Information and Records Management Standards.</p> <p>b) noted the Policy has been developed through consultation with other New Zealand Government agencies including: New Zealand Defence Force, Ministry for Primary Industries, Accident Compensation Corporation, Public Trust, and Ministry of Social Development;</p> <p>c) noted a targeted communication and implementation plan for the roll out of the Policy will be developed in partnership with the EQC Internal Communications team;</p> <p>d) noted adherence to the Policy will be incorporated into the development of the ICT Assurance Plan. This plan will be based on the All-of-Government framework and developed in consultation with the Risk and Assurance Team;</p> <p>e) noted the Policy is consistent with the current suite of existing EQC policy documents.</p> <p>f) approved the adoption of this Policy.</p>		
Section 5 Board Committee Updates			
5.1	Inquiry Board Committee		
	<p>The Board:</p> <p>a) noted the minutes of the 12 August 2019 Inquiry Board Committee.</p>		
5.2	Audit & Risk Committee		
	<p>The Board:</p> <p>b) noted the minutes of the 19 August 2019 People and Culture Board Committee.</p>		
Section 6 General Business			
6.1	Matters Arising and Action Points		
	<p>The Board;</p> <p>a) noted the updates to the Action Points;</p> <p>b) noted that the Action Point around how health and safety policies and practices would be increased in an event is missing from the Action Point register.</p>		
6.2	Confirmation of Board Minutes		
	The Board;		

	a) confirmed the draft minutes of the Board meeting held on 29 July 2019 as a true and accurate record.		
6.3	Proactive Release of Redacted Board Minutes The Board: a) approved the public release of the redacted Minutes for its meetings on 24 June 2019 subject to minor amendments.		
6.4	Ratification of Evotes a) agreed to ratify the Evote Structural Engineering Contracts – Exercise right to extend the term; b) agreed to ratify the Evote ILVR taking into account subsequent adjustment made since the Evote; c) agreed to ratify the People and Culture Committee Evote endorsing the Standards of Integrity and Conduct and Conflicts of Interest policies; d) approved the Standards of Integrity and Conduct and Conflicts of Interest policies. e) agreed to record the details of this Evote in the Minutes of the August 2019 meeting.		
<i>The meeting closed at 3.03pm</i>			
	<p>The next meeting is to be held on Monday 30 September 2019 in Christchurch.</p> <p>The Meeting closed at 3:03pm. These minutes were approved by the Board as a true and correct record.</p> <div style="display: flex; justify-content: space-between;"> <div> <p>_____</p> <p>Sir Michael Cullen Board Chair</p> </div> <div> <p>_____</p> <p>Date</p> </div> </div>		