

**MINUTES OF THE MEETING OF
THE BOARD OF THE EARTHQUAKE COMMISSION**
Held in the Wairarapa Room, Majestic Centre, 100 Willis Street, Wellington
10.00am – 4.00pm, Monday 29 July 2019
AGENDA

Present:

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

Apologies:

Nil

In attendance:

Sid Miller, Chief Executive
Chris Chainey, Chief Financial Officer
Renee Walker, Deputy Chief Executive– Canterbury and External Affairs
Paul Jepson, Deputy Chief Executive – Operations
Jayne Lapin, General Manager - People, Culture and Change
Benesia Smith, Head of EQC Inquiry Team
9(2)(a) Deputy Head of EQC Inquiry Team
9(2)(a) Senior Advisor
9(2)(a) QC
9(2)(a) Executive Strategic Advisor (Secretariat)
9(2)(a), Actuary
9(2)(a) (The Treasury)
9(2)(a) (Russell McVeigh)

The meeting was declared open at 9:30am

	AGENDA ITEMS & KEY DISCUSSION POINTS	ACTIONS REQUIRED	DUE DATE
Section 1	Board Governance		
	<i>Commissioners only (in committee) at 9:30am</i>		
	<i>Commissioners and Chief Executive only at 9:50am</i>		
	9(2)(a) and Jayne Lapin joined the meeting at 10.40am.		
1.1	Present and Apologies The Board: a) noted all present.		
1.2	Interests Register/Declaration of Conflicts of Interest The Board: a) noted the updated interests register and confirmed the addition of the following interests: i. Allison O-Connell; External Advisor - 2019 Review of Retirement Income Policy ii. Paul Kieranowski; Director – Amalgamated Holdings and Director – Craigpine Timber	<ul style="list-style-type: none"> Management to update the Interests Register 	<ul style="list-style-type: none"> Aug-19

1.3	Health Safety and Wellbeing Report The Board: a) noted submission of the policy change proposal for Working at Height (appended) b) noted there were 23 incidents reported in June, none of a critical nature and no Medical Treatment Injuries (MTI) in EQC; c) noted the ongoing progress of mental health and wellbeing initiatives; d) noted the update and actions taken and planned to improve our peoples safety e) noted that the Board will receive updates on the progress of the management actions via the monthly Health, Safety and Wellbeing report.	<ul style="list-style-type: none"> • Management to consider and formalise the frequency of the 'ready to Roll' organisation-wide scenario test. • Management to consider including key partners in the scenario test. 	<ul style="list-style-type: none"> • Sep-19
Jayne Lapin left the meeting at 10.54am.			
Section 2 Strategic Priorities			
2.1	Chief Executive's Report The Board: a) noted the contents of the paper provided on: <ul style="list-style-type: none"> a. EQC Act review b. Section 16 Funding Deed with Crown c. Broader Crown interest in reinsurance markets d. Event readiness – Cabinet paper e. Organisational change f. Investment pool g. Review of Ministerial Directions h. Making Canterbury claim information publically available i. 9(2)(h) [Privileged and Confidential] j. OIA statistics – January to June 2019 k. Petition of Hana Fisherova l. Community Resilience Group 		
9(2)(a) (The Treasury), Renee Walker, Chris Chainey, Benesia Smith, 9(2)(a) 9(2)(a) QC entered the meeting at 11.21am.			
2.2	Public Inquiry into EQC - Update The Board: a) noted the update on the Public Inquiry		
Agenda item 2.2 was put on hold at 11.26am for a visit to the Board by Hon Grant Robertson, Minister Responsible for EQC. Hon Grant Roberston entered the meeting at 11.26am.			

	<p>Renee Walker, Chris Chainey, Benesia Smith, 9(2)(a) QC and 9(2)(a) 9(2)(a) left the meeting at 11.26am.</p>		
	Minister Robertson's Visit to Board		
	<p>Hon Grant Robertson left the meeting at 12.01pm. The meeting adjourned for lunch between 12.01 -12.30. Renee Walker, Chris Chainey, Benesia Smith, 9(2)(a) QC and 9(2)(a) 9(2)(a) entered the meeting at 12.30pm.</p>		
2.2	<p>Public Inquiry into EQC – Update (continued)</p> <p>The Board:</p> <ul style="list-style-type: none"> b) noted the update on the Public Inquiry c) provided feedback on the draft closing submission d) agreed to include recommendations on the specific future form of EQC in our submission to the Public Inquiry e) approved EQC's Inquiry team working with the Public Inquiry secretariat on an approach that will enable us to apologise to the public sooner than the public release of EQC's submission to the Public Inquiry 	<ul style="list-style-type: none"> • Management to prepare a draft paper for feedback at the next Inquiry Board Committee on 12-Aug. • Management to prepare a final paper for approval at the next Board meeting on 26-Aug. • Management to consider how to best represent recommendations on the future form of EQC in the submission to the Public Inquiry. 	<ul style="list-style-type: none"> • Aug-19
	<p>Benesia Smith, 9(2)(a) QC left the meeting at 1.25pm. Paul Jepson entered the meeting at 1.25pm.</p>		
2.3	<p>Transformation Update</p> <p>The Board:</p> <ul style="list-style-type: none"> a) noted the Transformation Update; and b) provided feedback on workstream progress. 	<ul style="list-style-type: none"> • Management to incorporate minor amendments to the on-going updates 	<ul style="list-style-type: none"> • Aug-19
	<p>Chris Chainey and Paul Jepson left the meeting at 1.29pm.</p>		
2.4	<p>Optimisation of the EQC Claims Operating Model</p> <p>The Board:</p> <ul style="list-style-type: none"> a) noted the approach to the development of EQC's future claims operating model; b) noted the proposed vision, principles, and assumptions of the future insurer response model; c) noted the proposed scope and general alignment of insurers across the dimensions of scope with the caveats around managed repair and land; d) noted the proposed governance model for co-design, and that the EQC Board will be engaged throughout the process with 	<ul style="list-style-type: none"> • Management to consider culture and conduct as part of current and future operating model. • Management to articulate key risks associated with implementing operating model • Management to provide an update to the Board on progress against the Operating Model. 	<ul style="list-style-type: none"> • Aug-19

	<p>ultimate decision making on the designed model;</p> <p>e) noted the proposed approach to co-design;</p> <p>f) noted that a paper outlining the criteria under which a managed repair would be offered to customers has been socialised with EQC's Executive Leadership Team (ELT) and will come to EQC Board next month;</p> <p>g) noted that a strategic case is being prepared to use as the strategic reference point for subsequent capability design;</p> <p>h) noted that we are operationalising the TPA arrangements which provide capacity to resolve up to 45,000 claims per annum;</p> <p>i) noted that procurement to support the programme will follow a two phase approach: transitional arrangements to ensure immediate event preparedness and strategic procurement to put in place long-term arrangements once our long-term requirements are known; and</p> <p>j) noted the current state analysis of existing arrangements has identified gaps, which will be addressed through separate board papers.</p>		
2.5	<p>Readiness and Recovery Update</p> <p>The Board:</p> <p>a) noted the proposed Future Canterbury strategy;</p> <p>b) noted the proposed approach to the implementation of a Quality Assurance framework;</p> <p>c) noted the findings from the analysis on customer initiated reopened claims;</p> <p>d) noted the work underway around analysis of reopened Canterbury claim payments;</p> <p>e) noted the legal advice provided regarding EQC being able to act as agent for Southern Response (SRES);</p> <p>f) noted that any arrangement entered into with SRES will need to clearly define the nature and limits of EQC's liability.</p>	<ul style="list-style-type: none"> • Management to provide ongoing updates on Readiness and Recovery including Quality Assurance 	<ul style="list-style-type: none"> • Aug-19
<p><i>Renee Walker left the meeting, Paul Jepson and Chris Chainey joined the meeting at 2.07pm.</i></p>			
2.6	<p>Information and Analytics – Strategic Roadmap</p> <p>The Board:</p> <p>a) noted that with EQC's future operating model being based on EQC being a 'systems integrator' it is critical that the organisation increases its data, information and analytics capability;</p>		

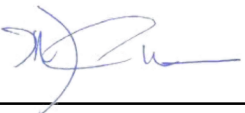
	<p>b) noted the Information and Analytics Programme has a cost envelope of \$1,669,000 OpEx (Project operational budget) and \$1,000,000 CapEx (Project Capital budget) signalled in the 2019/20 EQC budget, to be confirmed through detailed investment pool planning;</p> <p>c) noted the drawdown of \$215,000 OpEx to mobilise 'Phase 1' of the Information and Analytics (I&A) Programme; and</p> <p>d) noted that detailed business cases for the different components of the Information and Analytics Programme will be presented to the Board.</p>		
	<i>Paul Jepson left the meeting at 2.12pm</i>		
2.7	<p>GeoNet update and Work Plan</p> <p>The Board:</p> <p>a) approved GeoNet's 2019/2020 Work Plan, including the release of \$12.9m in funding;</p> <p>b) directed Management to continue to work with GeoNet on development of a revised ('evergreen') GeoNet agreement; and</p> <p>c) approved that Management pursue an asset transfer option that will effectively result in a \$10m reduction EQC's net liability position.</p>		
	<i>Renee Walker and 9(2)(a) (Russell McVeigh) joined the meeting at 2.26pm</i>		
2.8	<p>On-Sold Policy</p> <p>The Board:</p> <p>a) approved in principle the settlement guidelines proposed to be applied by the Commission when dealing with on-sold claims, subject to point (c) below;</p> <p>b) noted that Treasury have provided advice to the Minister Responsible for the Earthquake Commission on the issue of on-solds, with the potential for a Government policy option to resolve on-solds with similar impact on the customer as the settlement guidelines recommended in this paper;</p> <p>c) approved in principle an approach whereby if the Government announces a policy option for resolving on-sold claims, the Commission can implement that policy option, if appropriate, consistently with the settlement guidelines proposed to be applied by the Commission when settling on-sold claims; and</p>		

	d) noted that management will provide ongoing updates to the Board.		
	9(2)(a) (Russell McVeigh) left the meeting at 2.35pm		
Section 3	Performance and Reporting		
3.1	<p>EQC Performance Report – June 2019</p> <p>The Board:</p> <p>a) noted that this paper accompanies the EQC's Executive Dashboard to 30 June 2019 and provides qualitative commentary on performance to supplement the quantitative information shown in the dashboard; and</p> <p>b) noted that the EQC's Executive Dashboard to 30 June 2019 (excluding the SoPE data, pending external audit confirmation, Kaikōura sections as well as taking out the near misses information in the Privacy Breaches section) will be published on EQC's external website by 31 July 2019.</p>		
	Renee Walker left the meeting at 2.47pm		
Section 4	Financial and Risk		
4.1	<p>Financial Reporting</p> <p>The Board:</p> <p>a) noted the accompanying June 2019 Financial pack; and that the financials are subject to ILVR and audit changes;</p> <p>b) noted the financial pack provides a summarised view of the month's financial results, with a more detailed financial pack also available in the Resource centre;</p> <p>c) noted the following comments on the June financial performance:</p> <ol style="list-style-type: none"> i. Revenue below budget (\$0.1m). This is due to lower premiums (\$0.2m); partly offset by higher interest income (\$0.1m). ii. Core operating costs below budget (\$0.6m). This is mainly driven by lower workforce expenses (\$0.2m) and GeoNet costs (\$0.6m); partly offset by higher IT spend (\$0.1m) and Depreciation charges (\$0.1m). iii. Event operating costs below budget (\$3.1m). This is mainly due to lower than expected GCCRS costs in Canterbury (\$1.4m); combined with the timing of invoicing by private insurers in Kaikōura (\$1.7m). 		

	<ul style="list-style-type: none"> iv. Restructuring costs were booked in June relating to the organisational restructure (BAU \$2.4m, Canterbury \$0.6m). These costs have been shown separately below operating expenses to reflect the one-off nature of these costs. v. An increase to Bad Debt provisions was booked in June (\$1.2m) relating to CHRP Excesses and Receivables. vi. Cash & Investments held at 30 June were \$73m; <p>d) noted a further drawdown of funds under section 16 of the EQC Act will occur on 1st August 2019 for \$40m (plus GST); and</p> <p>e) noted that streamlined month-end processes and reporting may be required for July month-end, due to significant time constraints for the Finance team who are involved with the year-end audit, statutory reporting and preparing an updated five year financial forecast.</p>		
	9(2)(a) entered the meeting at 2.56pm		
4.2	<p>ILVR Update</p> <p>The Board:</p> <ul style="list-style-type: none"> a) noted that MJW and Management have been working on the production of the June 2019 ILVR. This has been discussed with the Audit and Risk Committee (ARC) across several meetings; b) noted that a draft final ILVR based on data as at 30 June 2019 is due for presentation to ARC on 5 August. Post this it will be distributed to the full Board for acceptance; c) noted that an increase in the Canterbury estimated ultimate claims costs of approximately \$230m is expected, due to increased provisions for reopening claims and associated CHE. A further increase due to Insurer Finalisation is also possible (but not known at this stage); d) noted that an increase in the Kaikoura claims costs of approximately \$10m-\$25m is expected, primarily due to increased assumptions related to reopened claims; e) noted that it is likely that there will be a further movement of up to \$150m in claims costs in respect of EQ1, related to Insurer Finalisation, with a corresponding impact on EQC's reinsurers; and f) noted that EQC is proposing to submit finalised financial results to Treasury in mid- 		

	August 2019 (slightly later than usual) with the intention to include the accepted ILVR results.		
	9(2)(a) left the meeting at 3.13pm		
4.3	2019 Remuneration review The Board: <ul style="list-style-type: none"> a) Noted the contents of the paper. b) Approved the recommended approach to the 2019 remuneration review outlined in paragraph 27. c) Noted that State Services Commission (“SSC”) has confirmed Crown Entities are not required to consult with SSC about remuneration outcomes for staff, outlined in paragraph 24. 		
4.4	Delegations Framework Update The Board: <ul style="list-style-type: none"> a) noted the updates to DFA outlined in the paper arising from the disestablishment of current roles and the creation of new roles. This is in relation to the 25 June 2019 final restructure announcement and in line with Principle 15 of the Framework; b) approved updating the Reinsurer Loss Collection approval from the Manager Finance Business Partnering and Analytics to the Head of Financial Control, to align with where the responsibilities of this work now lie; c) approved the Investment Delegation holder be updated from the Manager Finance Business Partnering and Analytics to the Head of Financial Control to align with where the role responsibilities lie; d) approved clarification be added to the Capital Expenditure section of the Framework to exclude the desirable assets listing from the assets being referred to in the ‘Asset sale or disposal’ section; and e) approved the ‘Write off corporate bad debt’ section to be updated to ‘Write off bad debt’ and the guidance notes removed in order to provide greater flexibility for the scenario’s being encountered by EQC currently which are not ‘corporate’ debt. 		
4.5	Scanned Mailand Related Services Contract The Board:		

	<div>a) approved an 18-month extension of the Contract commencing on 01 October 2019 and expiring on 31 March 2021;</div> <div>b) agreed to delegate authority to the Chief Executive to execute the variation agreement required to give effect to this extension; and</div> <div>c) noted that this extension would not comply with the Government Procurement Rules.</div>		
Chris Chaniey left the meeting at 3.16pm			
Section 5 Board Committee Updates			
5.1	<div>People and Culture Committee</div> <div>The Board:</div> <div>a) noted the minutes of the 20 May 2019 People and Culture Board Committee.</div>		
Section 6 General Business			
6.1	<div>Matters Arising and Action Points</div> <div>The Board;</div> <div>a) noted the updates to the Action Points.</div>		
6.2	<div>Confirmation of Board Minutes</div> <div>The Board;</div> <div>a) confirmed the draft minutes of the Board meeting held on 24 June2019 as a true and accurate record subject to amendments to agenda item 2.6.</div>		
6.3	<div>Proactive Release of Redacted Board Minutes</div> <div>The Board:</div> <div>a) noted that at its meeting in November 2018, the Board indicated a desire to release as much information as possible as part of the proactive release of Board Minutes;</div> <div>b) approved the public release of the redacted Minutes for its meetings on 27 May 2019 subject to minor amendments;</div> <div>c) noted that since June 2018 when the Board Minutes began being published on the EQC website there have been 563 page views, with 271 from external sources; and</div> <div>d) noted that Management monitors the traffic on the EQC web page in relation to Board Minutes and will continue to provide regular updates to the Board on this.</div>		
6.4	Ratification of Evotes		

	<p>a) agreed to ratify the Evote <i>Board Governance Manual For Approval</i>;</p> <p>b) approved the Board Governance Manual;</p> <p>c) agreed to formally disestablish the Enterprise Transformation Board Committee; and</p> <p>d) agreed to record the details of this Evote in the Minutes of the July 2019 meeting.</p>		
<p><i>The meeting closed at 3.23pm</i></p>			
	<p>The next meeting is to be held on Monday 26 August 2019 in Wellington.</p> <p>The Meeting closed at 3:23pm. These minutes were approved by the Board as a true and correct record.</p> <div style="display: flex; justify-content: space-between; align-items: flex-end; margin-top: 20px;"> <div style="text-align: center;">  <hr style="width: 150px; margin: 5px auto;"/> <p>Sir Michael Cullen Board Chair</p> </div> <div style="text-align: center;"> <p><u>14/08/19</u></p> <hr style="width: 100px; margin: 5px auto;"/> <p>Date</p> </div> </div>		