IN CONFIDENCE

File ref: PIES_003.1

Briefing to the Public Inquiry into the Earthquake Commission

Title	Catastrophe Response Programme 2009/10
Date	13 March 2019

Contents

Introduction

1 The purpose of this paper is to set out a high level description of the Earthquake Commission's (EQC) preparedness to respond to a major event immediately prior to the Canterbury earthquakes, the activation of EQC's Catastrophe Response Programme in response to the Canterbury earthquakes,[1] and EQC's preliminary review of its readiness and response carried out in 2011/12.

2 For the purposes of this briefing, all references to a "major" event in this briefing should be treated as a natural disaster event that EQC has a statutory obligation to respond to and where in excess of 150,000 claims are lodged with EQC.

Context

3 Prior to the Canterbury earthquakes EQC's experience was limited to responding to a number of minor to moderate sized events, involving several hundred to several thousand claims. The largest recent events prior to the Canterbury earthquake sequence were the 20 December 2007 earthquake near Gisborne that generated approximately 6000 claims and the 2009 Tuatapere earthquake that generated approximately 5,000 claims. In 1968, the Inangahua earthquake had generated the most claims from a single claim since the formation of EQC's predecessor, the Earthquake and War Damage Commission, with a comparatively few 10,500 claims.[2]

4 By way of a bench mark immediately prior to the Canterbury earthquakes, EQC estimated a "large scale" event to be one in which total claims exceeded 80,000, with a "major" event (such as a Wellington earthquake, a volcanic eruption in Auckland or an east coast New Zealand tsunami) resulting in as many as 150,000 claims.[3]

5 **Chart 1** below shows that claim numbers for the 4 September 2010 Canterbury earthquake alone were comparable to the size of the largest event EQC had expected and planned for.[4]

6 In short, prior to the Canterbury earthquakes EQC had no first-hand experience for scaling up for a major event.

[1] Note this briefing does not include detailed material about the "sustaining" or "wind down" phases of EQC's Catastrophe Response Programme for the Canterbury earthquakes. Rather, the purpose of this briefing is to focus on the "activation" phase of its Catastrophe Response Programme in response to the Canterbury earthquakes.

[2] See Earthquake Commission "Briefing to the Incoming Minister" (December 2011) at pages 6-7.

[3] See Earthquake Commission "Review of EQC's Operational Capability" (2009) at page 2.

[4] See Earthquake Commission "Briefing to the Incoming Minister" (December 2011) at page 7.

7 Furthermore EQC's previous experience, and therefore planning, was centred on there being one major event and a series of smaller aftershocks. EQC had no first-hand experience, nor had it observed from other international experiences, an earthquake sequence that included a series of major events in short succession.

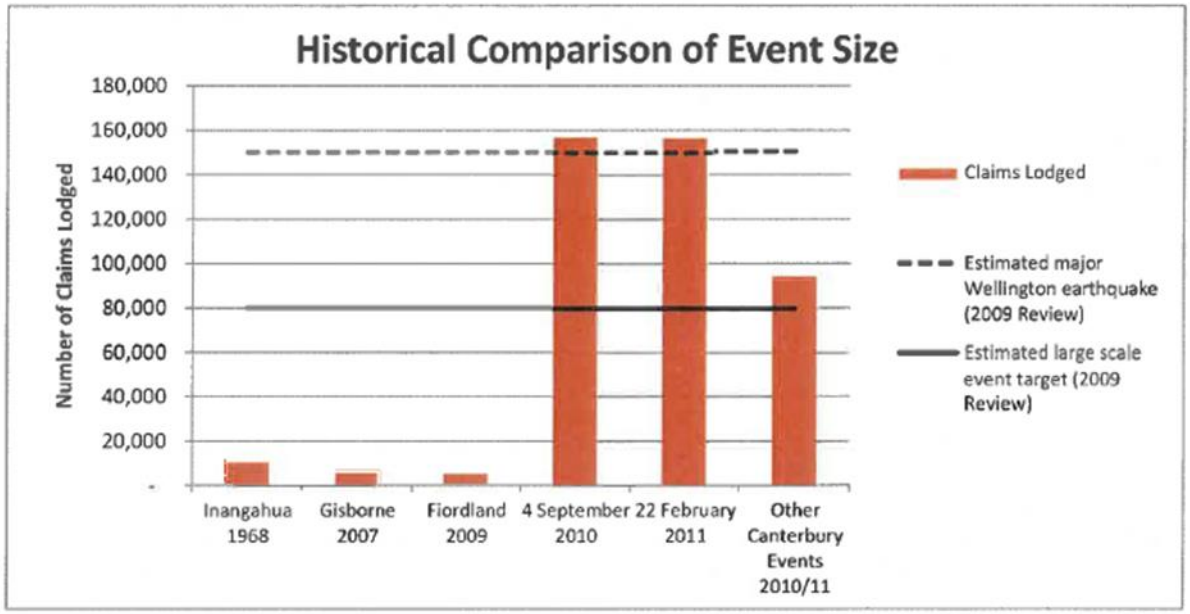

Chart 1: Historical Comparison of Event Size (by claims lodged): Earthquake Commission "Briefing to Incoming Minister" (December 2011).

Early Development of EQC's Catastrophe Response Programme

8 Since the coming into force of the Earthquake Commission Act 1993, EQC's Board and Management have been constantly adapting and evolving its plans for how it will respond to a major event.

9 In 1994 a magnitude 6.7 earthquake struck at Northridge, Los Angeles, causing US$20 billion in damage. Later that year, EQC sent a delegation to California to investigate how insurance companies had coped with the claims load generated by this event. Of particular importance was EQC's liaison with State Farm Insurance and the lessons it learnt from observing the application of its Catastrophe Response Programme in response to the Northridge event. At this time, State Farm had 65,000 agents and its Catastrophe Response Programme involved volunteers from this workforce being on call for despatch to a disaster anywhere in mainland USA.

10 Over the ensuing years, EQC identified its response essentials and progressively incorporated them into its Catastrophe Response Programme. Specific details about the suite of documents that comprised the Catastrophe Response Programme immediately prior to the Canterbury earthquake sequence are set out in more detail below.

11 The Catastrophe Response Programme was continuously evolving prior to the Canterbury earthquake sequence. Changes were made in response to the development of technology, the availability of new risk modelling tools, and lessons that EQC has captured from observing international experiences to natural disasters.[5]

12 The testing of EQC's ability to activate a response in accordance with its Catastrophe Response Programme became a routine occurrence (and this continues to be the case today).[6]

Engagement of external partners

13 EQC has historically engaged a number of key external partners to ensure their services would be available to assist with EQC's response to a major event.

14 In 1998 EQC formed a relationship with Gallagher Bassett Services, a global claims administration company with significant capacity located in Brisbane, Australia. Gallagher Bassett were to provide claims back office services and developed an extensive plan to obtain and employ the necessary resources of labour and materials to enable it to handle suddenly escalating claims loads.[7] As a final resort, Gallagher Bassett was also able to bring in additional staff from other Australian centres and from its parent facility in the USA. This plan was supported by regular exercises and training of both staff and external participants.

15 By the mid-2000s EQC developed a panel of contracted loss adjustors who would carry out EQC's assessment process following an event. Some loss adjusting firms were placed on an annual retainer in return for their commitment of availability and priority to EQC claims in future events. Prior to the Canterbury earthquakes this comprised approximately 20 loss adjusting firms across New Zealand and Australia.[8]

---

[5] Of particular relevance to EQC's response to the Canterbury earthquakes were the lessons it learned from observing the response to the 2010 Chile earthquake and tsunami. See EQC Chief Executive Report "Preliminary results of New Zealand mission to Chile following the earthquake on 27 February" (June 2010).

[6] By way of example, EQC staff relocated to EQC's alternate site in Manukau for a week in September 2009 as part of a Catastrophe Response Programme exercise.

[7] Refer to the contractual obligations of Gallagher Bassett as set out in clause 5 of the Claims Administration Agreement between EQC and Wyatt Gallagher Bassett Pty Ltd Can 009 778 018 (Contract Period: 1 July 2005 to 30 June 2010) dated 30 June 2010.

[8] Most notably, EQC had contracts in place for loss adjusting services from GAB, McLarens and Godfreys.

16 Some of the key relationships that the former Earthquake and War Damage Commission fostered with external providers were adopted by EQC when it was formed in the 1990s. In particular, Tonkin & Taylor Limited provided geotechnical services to the former Commission and continued to be EQC's preferred supplier of such services from the 1990s onwards. In addition, Chapman Tripp was the former Commission's preferred legal services provider and continued to be so for EQC.

Review of EQC's Catastrophe Operational Capability (2009)

17 In late 2008 EQC's Board sought to have its Catastrophe Response Programme reviewed externally to ensure it was fit for purpose and keeping up with modern practices.[9]

18 EQC formed a panel of experts to undertake the review of its Catastrophe Response Programme. The panel was led by Karen Stephens, an ex-emergency manager for Wellington City Council and a crisis management and business continuity expert. Also on the panel were:

a General Peter Cosgrove (retired), ex Chief of the Australian Defence Force and Chair of the Recovery Task Force appointed by the Queensland Government to oversee recovery operations after Cyclone Larry hit northern Queensland in 2006;

b Anna Smith, Public Relations specialist;

c Michael Mills, public policy specialist; and

d Ross Cuff, an insurance claims handling expert.[10]

19 The review panel met in Wellington over the course of a week during March/April 2009. It interviewed a range of external stakeholders, such as the Department of the Prime Minister and Cabinet and the Ministry of Civil Defence and Emergency Management, the Chair of EQC's Board and EQC senior management.[11] The panel also examined a range of documents relevant to the review, including the suite of documents that comprised the Catastrophe Response Programme and Audit New Zealand's report into EQC for the year ended 30 June 2008.[12]

[9] See Chief Executive report to EQC's Catastrophe Response Committee, *Review of EQC's Operational Capability* (11 November 2008).

[10] Refer to Appendix 2 of the "Review of New Zealand Earthquake Commission's Catastrophe Response Operational Capability" (May 2009) which provides full biographies of the review panel.

[11] Ibid, refer to Appendix 3.

[12] Ibid, refer to Appendix 4.

Observations of the panel

20 The panel confirmed the concept of the Catastrophe Response Programme was "sound in that it recognises that the day-to-day and crisis-response requirements of [EQC] are similar in function but greatly different in scale and urgency".[13] The Panel also made a number of comments about some key strengths of EQC's Catastrophe Response Programme, including:[14]

a the Catastrophe Response Programme had been activated on a number of occasions and the panel commented that it appeared to have been effective;

b EQC's constant improvement process has ensured the Catastrophe Response Programme was a living document;

c the panel commented that there are highly committed and knowledgeable EQC staff;

d EQC had formed excellent relationships with providers (such as Gallagher Bassett); and

e the panel observed contracted staff (loss adjusters, office managers, etc) were loyal and professional.

21 Notwithstanding the above, the panel questioned the robustness and efficacy of arrangements for less likely but "catastrophic events" such as a major Wellington earthquake.[15] The panel observed that:

a there was a misalignment of role expectations between some areas of government and EQC;[16]

b there was minimal guidance from government on what constitutes acceptable processing times for a major event;[17]

c there was some duplication of effort and inefficiencies in processing and claims approval between EQC, private insurers[18] and its external providers;[19]

d EQC had a small number of staff and the loss of one or more could compromise the activation of the Catastrophe Response Programme;[20]

[13] Ibid, at page 11.
[14] Ibid, refer to the "specific findings" section, page 11.
[15] Ibid, refer to the "strengths of the CRP" section, page iii.
[16] Ibid, at page 8.
[17] Ibid, at page 9.
[18] Ibid, at page 10.
[19] Ibid, at page 12.
[20] Ibid, at page 11.

e provider organisations to EQC had limited internal capacity and the loss of one or more of their staff could compromise the activation of the Catastrophe Response Programme;[21]

f the Catastrophe Response Programme documentation was difficult to navigate and its presentation did not take advantage of current document production techniques;[22]

g there was only an informal debrief and reporting process following activation events;[23] and

h there was minimal collaboration with private sector insurers.[24]

Recommendations of the Review Panel

22 The panel made a number of recommendations in light of its observations about EQC's Catastrophe Response Programme. These recommendations, and the state of implementation for each of the recommendations, are set out in greater detail below.

EQC Role Expectations[25]

23 To avoid the possibility of misaligned expectations of EQC's role, the panel recommended EQC canvass and confirm with its Minister, Treasury and wider government agencies expectations of its role in providing support for reconstruction following a major event.

24 The panel recommended EQC engage with national Civil Defence Emergency Management (CDEM) to determine expectations of EQC including likely transport arrangements and availability following a large Wellington event and how EQC might take advantage of national CDEM arrangements rather than its current contractual arrangements with a commercial provider.

25 EQC was also encouraged to consider promoting the establishment of a "cluster" of agencies likely to have complementary roles in reconstruction following a large scale event.

[21] Ibid.
[22] Ibid, at page 18.
[23] Ibid, at pages 17-18
[24] Ibid, at pages 9-10.
[25] Ibid, at page 21 and page 23.

Resources versus Timeliness[26]

26 The panel recommended that EQC establish the timescales for claims processing in a large event that could be achieved within the current Catastrophe Response Programme arrangements. The panel then suggested EQC management seek agreement from the EQC Board and responsible Minister to an indicative timeframe for finalising claims in the aftermath of minor, moderate and large scale events and have these timeframes included in its Statement of Intent.

27 The panel recommended EQC undertake a strategic piece of work to understand how the timing expectations for a moderate and large scale event could be met by changing EQC's procedures for processing claims.

EQC's Relationship to Private Sector Insurers[27]

28 The panel recommended EQC commission work with the insurance industry to explore viable options to improve the efficiency and effectiveness of claims handling and processing between EQC and other insurers, with the objective of improving outcomes for customers. EQC was encouraged to pursue the concept of sharing resources with the insurance industry and work towards trialling this concept in smaller events.

Statutory Claims Lodgement[28]

29 The panel recommended that, given the pressures that will follow a large event, consideration should be given to extending the current provisions of the EQC Act to include more flexible timeframes while retaining 'without prejudice' provisions.

Claims Processing[29]

30 The panel suggested EQC make provision for claim acceptance authority to be transferred from Gallagher Bassett to loss adjuster supervisors to avoid duplication of effort in processing and claims approval.

31 The panel recommended EQC assess the viability of recruitment of temporary staff in New Zealand to undertake the claims processing role that was carried out by Gallagher Bassett at this time.

32 EQC should provide a "shop front" at the earliest possible opportunity following an event where people could obtain information and lodge claims.

---

[26] Ibid, at page 21.
[27] Ibid.
[28] Ibid, at page 22.
[29] Ibid.

33 Following the initial set up of field offices for EQC staff, EQC should provide for the appointment of one office manager to cover several field offices, rather than one manager per field office.

34 EQC should review the audit process, which was deemed to be too invasive and interruptive during a large event.

Contingency and Continuity –Personnel[30]

35 The panel recommended that EQC consider establishing a permanent, modest cross-section of vital skill-set personnel in another operating centre away from Wellington.

36 In order to source and engage additional key personnel to assist EQC in response to an event, the Panel recommended EQC:

a pursue strengthening its relationship with large engineering firms to avoid potential bottlenecks following a large event to the fullest extent possible;

b make provisions for the appointment of one or more (depending on the geographical spread of the event) contract structural engineers to advise loss adjusters whether a full engineering inspection report is required;

c explore the possibility of tapping the New Zealand retired community for loss adjustors to supplement the staff obtained in Australia by Gallagher Bassett;

d consider engaging additional contracted staffing for a large event, such as land valuers and additional case managers; and

e EQC should include a section in its training programme for recent retirees with business experience but from a non-insurance background who, in a large event, could be trained relatively quickly to deal with minor damage claims.

Formal Evaluation Process of the Catastrophe Response Programme[31]

37 The panel recommended that EQC establish a formal, comprehensive evaluation process for the Catastrophe Response Programme.

38 EQC was encouraged to introduce formal reporting processes following events where the Catastrophe Response Programme was activated. The panel suggested EQC introduce formal evaluation processes for providers, e.g. call centre quality tests and formal reporting processes.

[30] Ibid, at page 23.

[31] Ibid, at page 22.

ADEQUACY OF DOCUMENTATION[32]

39 The panel recommended EQC engage external specialists to review and develop the documentation utilising the latest production techniques.

COMMUNICATIONS[33]

40 The panel recommended EQC review the Catastrophe Response Programme Communications Plan to ensure it was strategically focused and coordinated, review the arrangements for public communication support to ensure it would provide the depth and breadth of skills and capacity needed, and include the contracts for public communication support in the Catastrophe Response Programme for regular review.

EQC management's position in response to the recommendations

41 In June 2009, EQC's Board met with Karen Stephens, the Chair of the review panel, to discuss the findings of the review. Ms Stephens said three elements had stood out to the panel:[34]

a some misalignment of expectations from the broader government perspective and public perspective as opposed to the Catastrophe Response Programme process;

b EQC should look to collaborate with private sector insurers to help improve claims handling and processing following an event; and

c although the Catastrophe Response Programme was found to be a fundamentally sound process there could be improvements in the presentation of the documentation.

42 While EQC's Board was satisfied with the report of the review panel, it was agreed that EQC management should prepare a response to the report and develop a communications plan before the report was publicly released.[35]

43 In response to the Board's feedback, EQC's Chief Executive, David Middleton, prepared a memorandum to the Catastrophe Response Programme Board Committee which set out EQC management's position in respect of the findings of the report.[36]

44 The Catastrophe Response Programme Board Committee recommended the Chief Executive's memorandum be submitted to the full EQC Board for consideration.[37]

---

[32] Ibid, at page 23.

[33] Ibid, at page 24.

[34] See Minutes of EQC Board Meeting, *Review of EQC Operational Capability* (4 June 2009).

[35] Ibid.

[36] See Chief Executive Report to Catastrophe Response Programme Committee, *External Panel Review of EQC's Operational Capability* (15 June 2009).

[37] See Minutes of EQC Board Meeting, *Draft Minutes of CRP Committee Meeting – 23 July* (6 August 2009).

Board approval of the Catastrophe Response Programme

45 In August 2009, the EQC Chief Executive presented a paper to the EQC Board that set out the recommendations in the report and EQC management's response.[38]

46 In response to the paper the EQC Board noted the following:[39]

a EQC management should look to engage with the Domestic and External Security Group at the Department of the Prime Minister and Cabinet for their views on the government's expectations of EQC following a natural disaster;

b it was important for EQC management to ascertain the government's expectations in order to formulate its own policy and ensure this is in alignment with the government's position.

c it was agreed that a list of tasks should be made up from the review report so that progress could be tracked and monitored by the Catastrophe Response Programme Committee.

47 In August 2009 the Minister Responsible for the Earthquake Commission, Hon Bill English, was informed of the outcome of the review.[40] The Minister was notified of the fact that EQC was in the process of:

> *"identifying each of the earthquake scenarios that will provide the stiffest challenges to current preparations. The resources needed to handle each scenario will then be calculated using quantitative methods to identify potential "choke points". Plans to address these will be developed. Once these have been completed, and timescales calculated for the settlement of most claims, we will engage with other government agencies as the first step to ensure alignment of both planning and expectations".*

48 In late 2009 the report was published on EQC's webpage together with EQC's response.[41]

[38] See Chief Executive Report to EQC Board, *External Panel Review of EQC's Operational Capability* (28 July 2009).

[39] See Minutes of EQC Board, *Review of EQC's Operational Capability* (6 August 2009).

[40] See Letter from Michael Wintringham, Chair of the EQC Board to Hon Bill English, *Review of EQC's Operational Capability* (21 August 2009).

[41] See Earthquake Commission: *Review of EQC's Operational Capability – Response* (2009).

Implementation of the Panel's recommendations

49 From August 2009 to September 2010 EQC's management provided regular updates to the Catastrophe Response Programme Committee on the progress made towards implementing the panel's recommendations.[42] The Chief Executive also provided an update at each Board meeting in the lead up the Canterbury earthquakes in terms of the status of the implementation of various recommendations.[43]

50 A number of initiatives and work programmes were implemented following the Board's approval of the recommendations in the 2009 report. In particular:

a *Private insurer protocols* – EQC management began exploring ways to expand some of the informal understandings and claim handling protocols with individual private insurance companies into more formal agreements. In April 2010, Ian Simpson, the newly appointed Chief Executive, informed the Board that draft protocols for the co-ordination of EQC and insurance company claims activities had been provided to the four major insurers (IAG/Tower/Vero/ AMI).[44] However, at the time of the Canterbury earthquakes the private insurers had yet to sign and return the protocols.

b *Review of call centre arrangements* – In April 2010, the Chief Executive informed the EQC Board that back-up arrangements had been put in place for EQC's call centres to ensure there were enough operators to cover the loss of the Wellington operation. EQC's call centre material was also reviewed and it was deemed to be appropriate.[45]

c *Evacuation procedures* – EQC received confirmation that its existing evacuation procedures following a major event were acceptable to the Ministry of Civil Defence and Emergency Management for the time being.[46]

[42] See Earthquake Commission, *Work plan for implementing CRP review findings* (July 2010). This document provides a table of all the tasks that EQC management were managing as a result of the recommendations made in the 2009 report.

[43] See Chief Executive's report to the EQC Board (August 2010) under the heading "Review of claims management model"; Chief Executive's report to the EQC Board (June 2010) under the heading "CRP review"; Chief Executive's report to the EQC Board (April 2010) under the heading "CRP review".

[44] See Chief Executive's report to the EQC Board (April 2010) under the heading "CRP review". Also refer to draft EQC and IAG Protocol for Claims Handling (undated).

[45] See Chief Executive's report to the EQC Board (April 2010) under the heading "CRP review".

[46] See Earthquake Commission, *Work plan for implementing CRP review findings* (July 2010).

d *"Maximum Manageable Event"*

i EQC management undertook investigations to establish estimated timescales and resource requirements for handling various sizes of events. This analysis would then inform EQC's planning for events that exceed EQC's "maximum manageable event". These findings would be provided to the government and other agencies to assist them with future discussions that were aimed to clarify EQC's role and expectations when responding to a future major event.[47]

ii By early 2010, EQC management's preliminary thinking was that it could manage a cash settlement model for an event of up to 30,000 claims that would take 12 months to complete. EQC management had also identified a range of event scenarios that could generate over 30,000 claims.[48]

iii In the lead up to the 4 September 2010 event EQC was running the event scenarios through a system dynamics simulation model known as "Log Jam".[49] Log Jam was intended to assist EQC with its initial planning for resource supply in response to an event and the predicted length of time it would take to settle claims based on various resource levels. The intention was to update EQC's Catastrophe Response Programme once this analysis was complete.[50] This analysis was never completed following the organisation's shift in priorities following the Canterbury earthquakes.

e *Settlement approach*

i A key focus of EQC management was the development of a policy that would consider EQC's preferred claims settlement method in response to a range of events. Preliminary work had previously been carried out as part of reviewing EQC's managed repair trial following the 2003 Te Anau earthquake and cash settlement model for the 2007 Gisborne earthquake. In response to the Gisborne earthquake, the EQC Board decided to not be involved in the resource supply required to undertake repairs. However, there was also concern raised by both EQC and insurers that some cash settlements were not being spent on repairing the damage, leaving some homes in an unsafe condition or prone to further damage. It was recommended that further investigations be carried out to consider options that could be implemented to mitigate these risks.

[47] See Chief Executive report to Catastrophe Response Programme Committee, *External Panel Review of EQC's Operational Capability* (15 June 2009).

[48] See Chief Executive's report to the EQC Board (26 November 2009).

[49] In the early 2000s, EQC commissioned Future Impact Limited to develop "Log Jam". Future Impact Limited had developed a range of different models for EQC over the 10 years preceding the Canterbury earthquakes and had an understanding of EQC's processes.

[50] See Chief Executive's report to the EQC Board (June 2010).

ii EQC management intended to develop a policy and present it to the Board after consultation with external parties.[51] As part of this process it was intended that the policy would identify the expectations or requirements of government responding to the pressures of a large event.[52] The development of this policy was still a work in progress at the time of the Canterbury earthquakes.

f *Statutory claims lodgement time* – EQC management were in discussions with the Treasury about making changes to the insurance scheme that include extending the statutory time limit for claims notification.

g *Adequacy of documentation* – an external specialist was engaged to review and improve the Catastrophe Response Programme documentation.

h *Formal evaluation processes* – EQC management were preparing formal procedures that would be utilised for debriefing during the winding down period for an event.

i *Communications* – the EQC staff communications team and their advisors began refining EQC's Catastrophe Response Programme communications strategy to ensure it included ways to ensure adequate skills and capacity were available at critical times. This work was on-going at the time of the first Canterbury earthquake on 4 September 2010.

EQC Board Strategy Session – July 2010

51 On 22 July 2010, the EQC Board held a strategy session to review the current activity and direction of the organisation. At the strategy session the Board reaffirmed the findings of the 2009 review and recognised that further work was required to expand the capability of EQC's Catastrophe Response Programme to cope with a major event. The Board set the following objectives and timeframes for EQC's management to work towards to improve its catastrophe response capability:

a Ensure that EQC's current procedures could cope with an event of up to 30,000 claims in a 12 month period:

i The Board asked EQC management to implement the necessary changes to EQC's procedures by December 2010.

ii Part of this objective included retendering EQC's outsourced claims administration function. In August 2010, the Chief Executive informed the EQC Board a "Request for Information" had been issued to commence the procurement process for EQC's external claims management provider. The contract with Gallagher Bassett had been extended in the interim but was due to expire in 2011.

[51] See Earthquake Commission, *Draft Catastrophe Response Programme Strategy overview* (July 2010).

[52] See Chief Executive's report to the EQC Board, *External Panel Review of EQC's Operational Capability* (28 July 2009).

b Identify the resources required to cope with a "catastrophe" (i.e. an event greater than 30,000 claims).

i The Board asked EQC management to establish the resource requirements for this objective by December 2010, with full implementation completed by July 2011 subject to Board approval.

ii In June 2010, the Chief Executive sought approval from the EQC Board to commission LSI Consulting Limited to prepare a report on ways EQC could increase its capacity to process claims in the aftermath of a large event.[53] In August 2010, the Chief Executive informed the EQC Board that LSI had finished its interviews with EQC staff and would have a draft report available shortly, with the recommendations provided to the Board in October 2010.[54] The report was never completed as a result of events that transpired following the Canterbury earthquake on 4 September 2010.

c Understand the role EQC may have in managing repairs after a catastrophe.

i This objective was expected to result in the development of a plan for undertaking repairs in response to all size/magnitude of events.

ii In August 2010 the Board was informed by EQC management that plans to facilitate discussions with other government agencies about the roles, responsibilities and resourcing required undertaking a repair programme following a natural disaster were not expected to be completed until September 2011.[55]

52 These work streams were de-prioritised in the wake of the 4 September 2010 earthquake as the activation of the Catastrophe Response Programme became EQC management's sole priority.

[53] See Chief Executive memorandum to EQC Chair, *Selective Procurement of Consulting Services* (9 June 2010).
[54] See Chief Executive's report to the EQC Board (August 2010) under the heading "Review of claims management model".
[55] See EQC management paper to the Board, *CRP Strategy Roadmap* (August 2010).

EQC's Catastrophe Response Programme Immediately before the Canterbury Earthquakes

Catastrophe Response Management Manual

53 The Catastrophe Response Management Manual[56] was the central document associated with the activation of EQC's Catastrophe Response Programme at the time of the first Canterbury earthquake on 4 September 2010.

54 The manual described the tasks to be done, making reference where necessary to other documentation relevant to EQC's response to a catastrophe event. The manual sets out the various stages of the Catastrophe Response Programme cycle (set out in greater detail below). It also set out the procedure to be followed to establish an alternative Wellington site for EQC staff and the process staff were to take following a catastrophic event.

55 All EQC staff and Board members were provided with an induction on EQC's Catastrophe Response Programme upon joining EQC.[57]

Overview of the Model

56 Prior to the Canterbury earthquake sequence the Catastrophe Response Programme model divided EQC's response to an event into four key phases: *Preparation, Activation, Sustaining and Wind Down.*

[56] See Earthquake Commission, *Catastrophe Response Management Manual: CRP Management* (March 2009)
[57] See Earthquake Commission, *Catastrophe Response Procedures Induction* (January 2008). 9(2)(b)(ii) [redacted]

57 Each phase of the Catastrophe Response Programme had its own set of unique characteristics. A successful navigation of the Catastrophe Response Programme required EQC to be flexible in the way it responded to the changing demands of the operational phase at hand. The overriding principle of the Catastrophe Response Programme was that EQC was always in some form of catastrophe response mode. The key variables are the current phase of the Programme and the scale of the operation.

PREPARATION PHASE

58 The preparation phase consisted of on-going activities which take place before an event occurs, such as planning, programme maintenance and training.

59 A key component of the Catastrophe Response Programme was a computerised claims management system that could handle the maximum number of expected claims. EQC's claims management system for storing and handling claims data was called ClaimCenter and featured:

a Property database: Allows geographical matching of each claim, for allocation and workload management.

b Internet access: Access to ClaimCenter is web-based which means claims handling in the field is straightforward.

c Geographical Information System (GIS): Provided spatial information about claims, principally address co-ordinates, claim status and triage. This system was also designed to provide high-level management reporting and claims allocation facilities at the corporate office.

d Document management: Electronic storage of reports, photos and diagrams.

e Activity management: Activities are generated and allocated to individuals managing claims. Activities are then completed to progress the claim.

60 In 2000 EQC tendered the development of a modelling application known as "Minerva". This modelling application which was delivered by Aon Risk Services Australia and an expert New Zealand consultant, David Spurr, combines geographical information, seismic hazard and financial analysis to simulate the predicted number of claims EQC will receive as a result of any particular single event. This system was also used to help analyse reinsurance strategies and stimulate greater use of New Zealand research knowledge and data by international third party's risk models.

61 In 2003, EQC, in collaboration with the Building Research Association of New Zealand, created the Earthquake Damage Assessment Catalogue Manual (EDAC). This manual was designed to assist EQC's assessors to identify earthquake damage to a residential building and the optimum repair strategy. EQC's repair cost database also provided relevant costs for repairs identified in the EDAC.

62 In 2001, EQC collaborated with GNS Science to create a world-leading geological hazards notification system known as GeoNet.[58] More than 600 sensors across New Zealand are used to detect, analyse and respond to earthquakes, volcanic activity and other geological hazards. GeoNet data helps EQC to assess the risks from natural hazards. Its data is also vital to many diverse users from power providers and air traffic controllers to forest owners and insurers.

Activation Phase

63 This phase covers the first few days of EQC's response operation, during which the extent of the catastrophe is ascertained, the response required to deal with the expected claims load is decided, and the response activities are started. There is a short period of intense activity to gather resources (people and equipment), deploy them into the disaster area and begin working on claims.

64 EQC had pre-existing arrangements for some external management staff to be contracted to EQC at short notice. This was designed to supplement EQC's management, and secondly to provide short-term temporary alternative managers if the existing managers are unable to respond in the early stages of a catastrophe event.

Sustaining Phase

65 This phase is normally the longest period of a catastrophe response. It covers the time from when the size, shape and locations of the operation are decided and activated, through to the time when the wind down can begin.

66 This is the period in which claims are lodged with EQC, allocated to a loss adjustor, EQCover is verified with the customer's insurance company, the damage is inspected and quantified, and a settlement is reached with a customer.

67 The Catastrophe Response Programme envisaged a scaling up exercise of normal office routines to manage a large number of claims. But it did not envisage the introduction of new systems and processes when a major event occurred. The reason for this was partially because international experience had shown that the ways in which a major event might change processes would be unpredictable, and partially because it is difficult for the government to set its priorities, expectations and processes for a hypothetical event in advance. International practice for the development of Catastrophe Response Programmes prior to the Canterbury earthquakes was also based on a large, single event with a tapered aftershock sequence.[59]

[58] See www.eqc.govt.nz/research/geonet

[59] For example, the 1994 Northridge (USA) earthquake; the 1995 Landers (USA) earthquake; the 1999 Chi-Chi (Taiwan) earthquake; the 1999 Izmit (Turkey) earthquake; the 2004 Sumatra (Indonesia) earthquake; the 2008 Sichuan (China) earthquake; and the 2010 Chile earthquake.

WIND DOWN PHASE

68 During the wind down period the intensity and size of the operation is gradually reduced to normal day-to-day operations. This includes post-catastrophe analyses, debrief sessions and reporting. The wind down phase for one event will eventually revert to the preparation phase for the next. The catastrophe response phases thus become cyclical.

Infrastructure

69 Prior to the Canterbury earthquakes, EQC's business as usual office facilities were distributed as follows:

a Corporate Office, Wellington: EQC's Corporate Office was located on Level 20 of the Majestic Centre on Willis Street. This was EQC's permanent headquarters, and was the workplace of the organisation's permanent employees.

b Alternative Corporate Office, Auckland: EQC maintained an alternative corporate office site in Auckland that could be activated within three days should the Wellington office be unavailable due to a natural disaster.

c Gallagher Bassett Services, Brisbane, Australia: Gallagher Bassett was contracted to supply routine handling of business as usual claims, as well as the ability to scale should an event occur.

d Temporary Field Offices: In addition to these permanent facilities, temporary field offices were established on an as need basis. In some cases, a field office was as basic as a room in a motel which was repurposed as a temporary office.

Activating the Catastrophe Response Programme for the Canterbury earthquakes

Context

70 On Saturday 4 September 2010 at 4.35am a magnitude 7.1 earthquake struck Darfield in mid-Canterbury. At the time it occurred it was New Zealand's most damaging earthquake since the Napier earthquake in 1931.

71 EQC had 22 permanent staff at the time of the 4 September 2010 earthquake who were all based at EQC's head office in Wellington. The Chief Executive was Ian Simpson.[60] **Chart 2** shows the EQC organisational structure.

[60] As at September 2010 EQC's Senior Management Team comprised Ian Simpson (Chief Executive), Phillip Jacques (Chief Financial Officer), Lance Dixon (Insurance Manager) and Hugh Cowan (Research Manager).

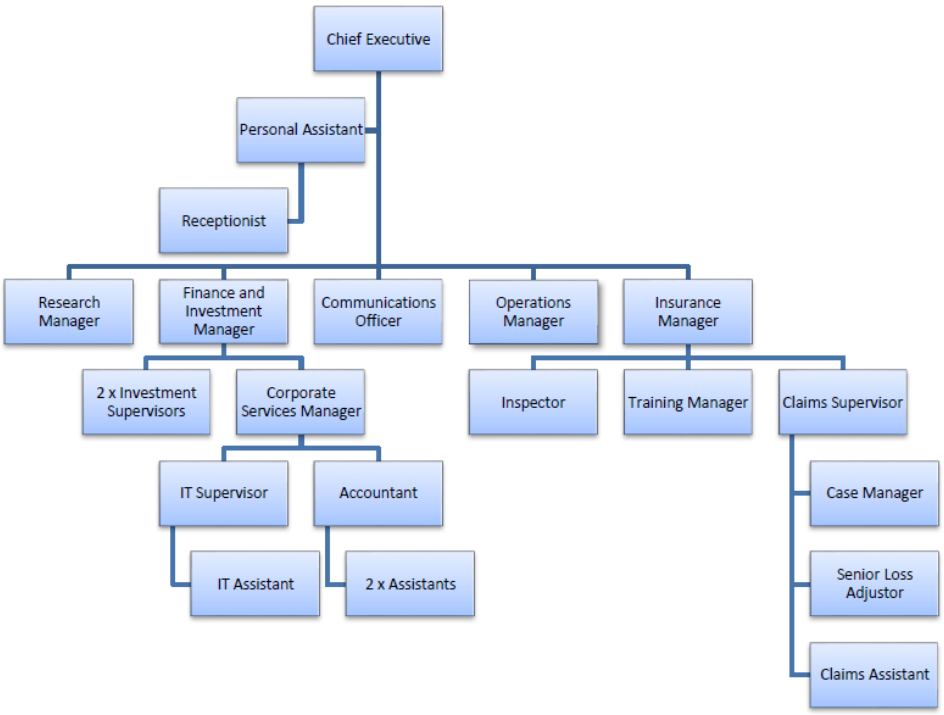

Chart 2: EQC's organisational chart (September 2010).

72 EQC's Board comprised five Commissioners[61] and was chaired by Michael Wintringham. At this time the EQC Board was responsible to the Minister of Finance, Hon Bill English.

Activation Phase – 4 September 2010

INITIAL OPERATIONS

73 On 4 September 2010 senior EQC staff were automatically alerted to the event's occurrence by pager and text message. EQC's Research Manager and Insurance Manager who were in Santiago, Chile at the time observing the response to the recent earthquake and tsunami, were also notified via a GeoNet text message alert that a large earthquake had hit the Canterbury region.

74 In the following hours EQC management began using the Minerva modelling software to anticipate the volume of claims that would be generated by the event. The initial Minerva report estimated 130,000 – 160,000 claims at a mean cost of $1.55 billion.

[61] As at September 2010 the EQC Board of Commissioners comprised Michael Wintringham (Chair), Denise Bovaird, Giselle McLachlan, Linda Robertson and Keith Taylor.

75 All available EQC corporate staff then gathered for an 11am emergency response meeting at Corporate Office in Wellington. Similar meetings were held each day over the following week. The core item on the agenda was scaling up EQC's operational systems to manage the large volume of claims which were anticipated.

76 Tonkin & Taylor were on the ground (and in the air) assessing initial land damage immediately after the 4 September 2010 earthquake (and subsequent Canterbury earthquakes). The preliminary "street by street" mapping information collated by Tonkin & Taylor helped EQC's initial planning after the Catastrophe Response Programme was activated for each of the Canterbury earthquakes.

77 The EQC Board and management team were in frequent contact with each other following the earthquake to order to plan and coordinate EQC's response to the event. These meetings occurred in both an informal and formal capacity throughout this initial period.[62]

INFRASTRUCTURE

78 Given the large scale of the earthquake, it was decided that a centralised claims administration office would be required, surrounded by an integrated network of field offices. This differed to EQC's normal process to establish self-contained field offices in the region of the disaster. A team began focussing on acquiring suitable property while other staff began notifying key suppliers that their goods and/or services would be required by EQC.

79 On Sunday 5 September 2010, EQC began sending assessors and engineers into the field to begin initial assessments of damage (these early assessments were intended to scope the overall impact of the event rather than inspecting individual properties). A three-level building on Deans Avenue was secured as EQC's Canterbury Headquarters, known as the Hagley Field Office. A further five field offices were added over the next two weeks.

80 A total of ten field offices were established by 2011. Each field office was the base for several claims assessment 'pods'. Each pod typically consisted of 10 loss adjusters, 13 estimators, 1 senior estimator and 1 pod leader (a total of 25 personnel). In addition, a mobile pod was established to assess remote areas on an as need basis.

81 EQC acquired additional office space in the Majestic Centre in Wellington to house the Fast Track Programme during its period of operation from September 2010 to February 2011. EQC's Corporate Office was also expanded to include parts of Level 21 of the Majestic Centre in order to accommodate additional corporate staff. Additional office space was found in Manpower House, 8-14 Willis Street, within easy walking distance of EQC Corporate Office. It was used to accommodate additional management, support and administrative staff as EQC's corporate workforce began to increase.

[62] See EQC Board meeting agendas for 14 October 2010; 28 October 2010; 15 November 2010 and 2 December 2010.

CLAIM LODGEMENT

82 On 4 October 2010, the Earthquake Commission Amendment Regulations 2010 came into force. These regulations extended the period in which an EQC claim could be notified from 30 days to three months.

83 By October 2010 over 68,000 claims had been lodged with EQC. In total, over 156,000 claims were notified for the 4 September 2010 event (note that this figure is very close to the Minerva indications of 130,000-160,000 claims for this event).[63] These included 146,000 building exposures, 58,000 contents exposures and 49,000 land exposures.[64]

84 The large volume of claims lodged for the 4 September 2010 event led to the establishment of a centralised file registry on the ground floor of the Hagley Field Office. Files were made up by a File Creation Team at Manpower House in Wellington before being couriered to Christchurch each night. Clusters of files were moved back and forth between the registry and the field offices as required, busing a barcode scanning system to keep track of their current location.

CLAIM TRIAGE SYSTEM

85 A three-tiered triage system for processing building claims was established based on their value:

a The Fast Track Programme: This was a process to fast track the cash settlement of claims for minor residential building and contents damage under $10,000.[65] Further details about the Fast Track Programme are set out below.

b The Canterbury Home Repair Programme: Fletcher Construction Company Limited was appointed to run a Project Management Office (referred to as "Fletcher EQR"). The Canterbury Home Repair Programme (CHRP) was the name given to the programme delivered by EQC through its contract with Fletcher. As EQC's agent, Fletcher project managed building repairs costing between $10,000 and $100,000 (plus GST) per claim.[66] A separate briefing will be provided to the Inquiry about the Canterbury Home Repair Programme.

---

[63] Note that the number of claims reported in the 2010-11 Annual Report was over 185,000, but following data cleansing we now accept that the number of claims was 156,000.

[64] The term exposure refers to the three types of loss that could be covered by a single claim notification – building, land, and/or contents.

[65] See Earthquake Commission, *Annual Report 2010-11* (2011), at page 8. See also Earthquake Commission *Briefing to the Incoming Minister* (December 2011) at page 12. Note the threshold for cash settling minor building damage was later changed to "less than $15,000".

[66] Claims below this range where there was structural damage (or where there was non-structural damage but the customer had opted to have them repaired through the CHRP) were also managed through Fletcher EQR. See Earthquake Commission, *Annual Report 2013–14* (2014), at page 9. Note the $10,000 cash payment threshold was raised to $15,000.

c Over cap claims: Residential building claims that were assessed to exceed EQC's statutory cap limit of $100,000 plus GST, and/or contents claims that were deemed to be in excess of EQC's statutory cap limit of $20,000 plus GST, were transferred to the customer's private insurer to manage.

86 This triage system provided a structure for EQC to grow around during its rapid expansion.

Workforce Growth

87 There was a shortage of skilled insurance workers in New Zealand, which forced EQC to compete with private insurers to secure suitable staff. The majority of Canterbury-based personnel were recruited from throughout New Zealand and Australia.

88 Gallagher Bassett's capacity was expanded to 76 staff from the normal skeleton staff of four to six within a month of the September 2010 event. Further staff from across Australia were being sourced and more could be seconded from USA if required.

89 EQC utilised pre-existing relationships with recruitment agencies Adecco and Wheeler Campbell to scale up its workforce. The support these agencies provided was also supplemented with recruitment services provided by Verifact, Kinetic, the Master Builders Federation and the Certified Builders Association. Training and outsourcing enabled a rapid expansion to 400 staff deployed in-field (mainly assessment teams) by early October 2010.

90 Call centre staff at eight locations throughout the country and overseas peaked at 255, with local authorities, government departments and the Commission's business partners temporarily contributing personnel. By the end of 2010, total EQC staff numbers were over 1,000.[67]

91 Two additional Commissioners were appointed to the EQC Board effective 1 December 2010.[68]

Land Claims Processing

92 The Canterbury earthquakes caused large amounts of soil liquefaction[69] due to the sedimentary nature of the soils on the Canterbury plains. In response to this land damage, EQC's contracted engineers, Tonkin & Taylor, started assessing EQC liability for land damage to residential properties and developing land remediation options.

---

[67] See Earthquake Commission, *Annual Report 2010-11* (2011), at page 8. See also KSJ Associates, *Earthquake Commission Review Report Christchurch 2012 Recruitment Processes* (March 2012) at pages 6-7.

[68] See "Appointments to the Earthquake Commission" (23 December 2010) 179 *New Zealand Gazette* 4459.

[69] Liquefaction is a phenomenon which occurs when soil loses strength and stiffness due to the rapid shaking of an earthquake. Sand and silt grains are compacted, causing underground water to rise into the vacant spaces above. The resulting high water pressure causes soils to behave like a liquid.

93 On 22 October 2010 EQC published Tonkin & Taylor's Stage 1 Land Damage Assessment & Reinstatement Report.[70] This report outlined initial assessments of land damage and presented a range of possible strategies for remediation. A subsequent Stage 2 report was published on 30 November 2010.[71] It divided Christchurch into three zones according to severity of land damage, and included an indicative timeline of land remediation and property rebuilding for each zone. At the time, rebuilding of the most seriously affected 'Zone C' properties was expected to be complete by August 2013.

94 EQC published a series of 20 geotechnical reports on its website, with each report covering land damage in a particular suburb. These reports documented the site investigations which had been undertaken by Tonkin & Taylor.

95 In December 2010, the Minister of Finance signed a Ministerial Direction giving EQC additional functions in relation to land remediation.[72] The proposal was to construct extensive perimeter works around the residential land in parts of Christchurch and Kaiapoi. EQC would prepare for and design these works, which would be separately funded by the government.

Fast Track Programme

96 Most of the 4 September 2010 event residential building and contents claims valued under $10,000 were processed by EQC's Fast Track Programme based out of the Majestic Centre in Wellington.

97 The Fast Track Programme was an outbound call centre staffed by over-the-phone claims estimators, and was in operation for 23 weeks from 13 September 2010 to 22 February 2011.[73]

98 Fast Track estimators had prior experience as a qualified builder, quantity surveyor, civil engineer or project manager. Each estimator was given a daily caseload of customers to call. The estimator interviewed the customer about the nature of the earthquake damage and made an assessment about the likely settlement value of the claim.

[70] Tonkin & Taylor Limited, *Darfield Earthquake 4 September 2010 Geotechnical Land Damage Assessment & Reinstatement Report Stage 1 Report* (October 2010).

[71] Tonkin & Taylor Limited, *Darfield Earthquake 4 September 2010 Geotechnical Land Damage Assessment & Reinstatement Report Stage 2 Report* (November 2010).

[72] See Earthquake Commission, *Annual Report 2010-11* (2011), at pages 74-75.

[73] The Fast Track Programme was scheduled to be disestablished on 25 February 2011. However, this was brought forward by three days after the 22 February 2011 earthquake.

99 51,446 customers were contacted through the Fast Track Programme.[74] Roughly 40 percent of these customers had their claims settled over the phone. A further 35 percent of these customers were referred to EQC's field offices for an in-person assessment.[75] Approximately 15 percent of these customers had their claim closed without receiving a settlement.[76] The remaining 10 percent of customers who were contacted were part of a project which targeted customers who had damaged chimneys.[77]

100 The Fast Track Programme performed a strategic function in accelerating the overall pace of EQC's response to the 4 September 2010 event. The large volume of claims received, combined with a finite pool of assessors, meant that delays in completing in-person assessments were inevitable.

Contents Claims Processing

101 At the time of the Canterbury earthquakes, EQC was responsible for settling claims for personal property (i.e. contents) up to the value of $20,000.

102 Following the 4 September 2010 event, contents claims were processed through the Fast Track Programme, the field office network and Gallagher Bassett. During this period, EQC's primary process for managing contents claims was to phone customers (through the Fast Track Programme and Gallagher Bassett) and ask them for details of their contents losses. EQC staff in the Fast Track Programme had authority to settle contents claims up to a maximum value of $10,000. Contents claims that exceeded this threshold were referred to field assessors for an in-person assessment.

Legal Support

103 EQC's legal provider, Chapman Tripp, provided a range of legal services immediately after the 4 September 2010 Canterbury earthquake. In addition to providing legal advice on insurance and claims matters, the firm also advised on legal issues such as privacy, and health and safety. An experienced legal consultant from Chapman Tripp was also seconded to EQC in 2010.

---

[74] This equated to approximately 30 percent of the total number of customers who lodged a claim for the 4 September 2010 event.

[75] Reasons for the field office referrals included the customer's request for an in-person assessment, the claim was too complex to resolve over the phone, the amount of the damage exceeded $10,000 or the customer was deemed to be vulnerable.

[76] Reasons for closing the claim may have been because the damage was excluded under the EQC Act; the customer did not have a valid insurance policy, the value of the damage was below EQC's excess, or the customer withdrew their claim.

[77] Further details about this group of customers can be found under the subsection titled "Winter Heat Programme".

Activation Phase – 22 February 2011

CONTEXT

104 On Tuesday 22 February 2011 at 12.51pm a magnitude 6.3 earthquake struck near Lyttelton, Christchurch. This event was located in immediate proximity to Christchurch city, causing catastrophic loss of life and destruction to the built environment.

105 EQC's operations in Canterbury were almost 6 months old when the 22 February 2011 event occurred. 81,775 full building assessments had been completed between 4 September 2010 and 22 February 2011.[78] Prior to 22 February 2011, EQC estimated it was on track to complete its building assessment phases by the end of March 2011.[79]

106 Following the 22 February 2011 event, Minerva predicted (with a confidence level of 90 percent) that 130,000 claims would be lodged. This simulation assumed no previous damage as a result of the 4 September 2010 event. Eventually a total of 157,000 claims were lodged for the 22 February event.

107 EQC already had extensive infrastructure in place in the Canterbury region at the time of the 22 February 2011 earthquake. As such, the need for acquiring new facilities was not as great as it had been in September 2010. Rather, a key focus of the second activation phase of the Catastrophe Response Programme was the recalibration of resources within the existing infrastructure.

STAFF SAFETY

108 Giving the emerging nature of the 22 February 2011 event, the immediate priority within EQC was ensuring the well-being of personnel working in Canterbury. Five hours after the event, all 946 Canterbury-based staff had been accounted for. There was only one staff casualty, with a staff member who cut their arm and had to be taken to hospital. The top floor of EQC's Hagley Field Office was extensively damaged. Several windows were broken and an air-conditioning unit fell through the ceiling.

[78] See Earthquake Commission, *Briefing to the Incoming Minister* (December 2011) at page 8.

[79] See Earthquake Commission, *Briefing to the Incoming Minister* (December 2011) at page 8.

Recalibration of Priorities

109 The majority of EQC's assessment staff were discharged in the following days after the 22 February 2011 earthquake due to a lack of accommodation in Christchurch. Approximately 150 assessors had been based in inner city hotels which were cordoned off following the earthquake. Inbound Search and Rescue teams were given priority for whatever accommodation remained available.[80] One rotation of assessors (comprising 180 staff) was retained to assist Christchurch City Council in general damage scoping work.

Emergency Repairs

110 In response to the 4 September 2010 event, it was decided that customers could organise emergency repairs at their own discretion before their home had been assessed by EQC. Customers were asked to take photos of the damage and forward the invoice to EQC for reimbursement. This was the same process that had been used by EQC previously in response to smaller events.

111 Following the 22 February 2011 event, the Minister for Canterbury Earthquake Recovery directed EQC to carry out emergency works to repair damage to dangerous or insecure residential premises. The Ministerial Direction was effective for the period 22 February to 30 April 2011 and applied to all residential premises, whether or not insured.[81]

112 Under the new emergency repair process, customers were able to authorise their own emergency repairs below the value of $2,000.

113 Larger scale emergency repairs (up to $50,000) were referred to Fletcher EQR. Fletcher EQR building contractors who had been repairing homes damaged by the 4 September 2010 earthquake were reassigned to work on emergency repairs during this period.

114 Priority was given to properties that were not weathertight or habitable, had winter heating issues, or whose residents were vulnerable. The terms "safe, sanitary and secure" were used in communications material to define the focus of the emergency repairs.

Rapid Assessment Programme

115 The Rapid Assessment Programme was established as a result of the widespread damage caused by the 22 February 2011 event. Every residential property in central Christchurch received a preliminary assessment, regardless of whether the household was insured or whether a claim had been lodged with EQC. These assessments were conducted on a street by street basis, by a team of over 350 assessors working individually rather than in pairs.

---

[80] This situation prompted EQC to establish several new relationships with new accommodation suppliers

[81] See Earthquake Commission, *Annual Report 2010-11* (2011), at pages 76-77.

116 Rapid assessments were much quicker and more superficial than full assessments. Rather than providing an extensive quantification of the damage, the objective was to triage damaged properties in order of priority. With winter approaching, it was also vital to determine which properties needed emergency repairs in order to be habitable.

117 EQC purchased 540 iPads to increase the speed and efficiency of the field documentation, and a rapid assessment training course was established for the assessors involved. This course took half a day to complete and involved training on how to use an iPad, what to look for during rapid assessments, techniques for stress management and communicating with customers.

118 The Rapid Assessment Programme was trialled in the week beginning 28 February 2011 before being formally launched on 11 March. A target was set to inspect all properties in Christchurch (as well as affected parts of Selwyn and Waimakariri Districts) within eight weeks. The programme was completed on 13 April, three weeks ahead of schedule. A total of 182,093 properties were inspected as part of the programme.

WINTER HEAT PROGRAMME

119 The 4 September 2010 and 22 February 2011 earthquakes caused widespread chimney damage throughout Canterbury. This situation provided an opportunity to improve energy conservation across the region by replacing coal burning fireplaces with clean heat sources such as heat pumps and log burners.

120 A customer was given the option to either reinstate their existing chimney (repair or rebuild depending upon the damage to the chimney) or decommission the damaged chimney and install a clean heating device to replace the damaged chimney.

121 EQC initially worked with the Energy Efficiency and Conservation Authority in 2010 to offer the installation of a clean heat appliance as part of the repair.[82] However, in early 2011 Fletcher EQR took over responsibility for this role from the Energy Efficiency and Conservation Authority.

VEHICLE HIRE

122 EQC's provisions for car hire were initially organised through a pre-existing relationship with Budget Rentals. Daily vehicle hire rates were re-negotiated following the 22 February 2011 earthquake given the scale and length of EQC's operations had increased.

123 In June 2011 EQC began leasing a fleet of 250 cars from Custom Fleet with Budget Rentals providing vehicles on an as needed basis. In addition, EQC purchased a fleet of 90 cars for use by Fletcher EQR staff.

[82] See Earthquake Commission, *Annual Report 2010-11* (2011), at pages at p 8.

File Registry

124 Following the 22 February 2011 event, EQC activated a pre-existing contract it had with Online Security Services Limited to provide file storage archiving of claims. Online Security Services was responsible for transporting files to and from field services as needed.

Land Claims Processing

125 The 22 February 2011 event added an extra layer of complexity to land remediation. While some areas of land were newly damaged, other areas were damaged for a second time. Some areas surrounding the Port Hills were subject to landslips and the risk of rock fall on to houses.

126 EQC commissioned Tonkin & Taylor to undertake rapid mapping of land damage in Canterbury in order to triage areas according to property risk. This process involved geotechnical engineers physically observing land damage and recording it on maps of the area. This was followed up with individual assessments for properties with EQC claims. Christchurch City Council teams also worked in these areas to assess life safety issues relating to rock fall risk.

127 Plans to undertake the land remediation works around the Avon River were scrapped due to the subsequent land damage caused by the 22 February 2011 event.

128 The newly formed Canterbury Earthquake Recovery Authority (CERA) took a leadership role in coordinating a revised programme of land remediation. On 23 June 2011, the Minister for Canterbury Earthquake Recovery, Hon Gerry Brownlee, outlined the new Land Recovery Programme for Canterbury.

Contents Claims Processing

129 EQC established a new contents processing team in Manpower House in Wellington. A new process was established for contents claims which required customers to complete their own contents schedules. Blank contents schedules were distributed to residential mailboxes as part of the Rapid Assessment Programme. Sensitive contents claims were forwarded to the Claims Review Team in Hagley Field Office. Gallagher Bassett were authorised to settle contents claims up to the maximum limit of $20,000.

Preliminary Review of the Catastrophe Response Programme following the Canterbury earthquakes

Draft Martin Jenkins Report (2012)

130 Towards the end of 2011, EQC commissioned Martin, Jenkins & Associates Limited to review and provide a forward-looking report aimed at capturing lessons learnt from the Canterbury earthquakes.

131 In commissioning the report, EQC's aim was to gather knowledge to improve future delivery of services, while also providing useful insights to help the existing earthquake response.

132 EQC received an early draft of the report on 2 March 2012.[83] The report was never completed due to the announcement of the Treasury review into the Earthquake Commission Act that was expected to cover much the same ground.

133 Some of the key findings from the draft March 2012 report were:

a EQC should broaden its legislative mandate, clarify leadership, and re-order the organisation's priorities so that fund management and insurance processes underpin the overarching role of risk managing recovery from disasters.[84]

b EQC should reshape its business model to strengthen its ability to strategically manage the outsourcing of some of its functions to external providers, and modify the "just-in-time"[85] approach to scaling for resources so that a suitable reserve capacity is always available.[86]

c EQC should escalate its preparatory planning beyond events of largely predicted parameters to catastrophes with unknown dimensions, and deepen the layers, reach and skills of the on-call response.[87]

134 The draft report commented on the progress EQC had made as at November 2011 in terms of applying the lessons it had learnt from its initial response to the Canterbury earthquakes.[88] Martin Jenkins also commented on EQC's capability development at the senior management and operational level.[89] There were a range of organisational initiatives that were underway to enable EQC to have a more coordinated response for a future major event, and to improve the governance and management of claims arising out of the Canterbury events.[90]

---

[83] Martin, Jenkins & Associates Limited, Draft report *EQC Response to Canterbury Events: Lessons Learned*, (1 March 2012).

[84] Ibid, at pages 5-7.

[85] This is a reference to EQC's outsourced business model where the resources required to respond to an event would be called on by external providers immediately after an event.

[86] Martin, Jenkins & Associates Limited, Draft report *EQC Response to Canterbury Events: Lessons Learned*, (1 March 2012), at page 11.

[87] Ibid, at pages 15-18.

[88] Ibid, at pages 20-21.

[89] This included the creation of General Manager positions for Communications, Organisational Development, Strategy, Policy and Legal, Customer Service, Corporate Services and Research and Development. Strategic and operational management was improved through the creation of positions for a Risk and Assurance Manager, Chief Information Officer, Business Information Unit Manager, National Claims Manager, Call Centre Manager and a Business Improvement Manager.

[90] This included the development of a "Major Event Disaster Plan", a strategic approach to a catastrophe response, initial work to develop a new operating model, the establishment of a Programme Office to manage

135 Martin Jenkins also noted the operational initiatives EQC had implemented in response to the scale of the Canterbury earthquakes.[91]

136 The draft report was never finalised due to the announcement of the Treasury review of the EQC Act, which was expected to cover the same ground. A copy of the draft report and a summary of the report's findings were published on EQC's webpage in October 2013.[92]

and support business improvement initiatives within EQC, a new management reporting framework and enhancements to EQC's IT systems.

[91] Refer to the "Activation" subheading above for the section on "Activating the Catastrophe Response Programme for the 4 September 2010 Canterbury earthquake". In conjunction, Martin Jenkins noted EQC's Rapid Assessment Programme to respond to the decision that all dwellings be assessed post the 22 February 2011 earthquake irrespective of the customer's insurance status.

[92] Earthquake Commission: https://www.eqc.govt.nz/news/lessons-learnt-a-report-on-eqc%E2%80%99s-response-to-the-canterbury-earthquakes (7 October 2013).