



28 March 2024

Chris Black
Board Chair
Earthquake Commission Toka Tū Ake
s9(2)(a)

Dear Chris

MINISTER'S EXPECTATIONS FOR THE EARTHQUAKE COMMISSION TOKA TŪ AKE

I am writing to outline how your board can support the delivery of the Coalition Government's priorities, and my specific and general governance expectations for Earthquake Commission Toka Tū Ake (**the Commission**) during 2024/25. I ask that you identify opportunities to support the Commission to address these expectations for my consideration in your Strategic Issues Letter and include actions in the Commission's 2024/25 business planning documents.

Government priorities

I expect boards to be conscious of the Government's priorities and the expectations in any future Enduring Letter of Expectations issued to statutory Crown entities. In an ongoing challenging fiscal environment, the Government's priorities include:

- lifting New Zealand's productivity and economic growth to increase opportunities and prosperity for all New Zealanders, and
- improving the efficiency and effectiveness of the public service and of government-funded services.

The Government is committed to delivering results, and all public organisations, including the Commission, have a part to play. Boards should work alongside stakeholders and build connections to focus resources, minimise costs and deliver improved performance. I expect you to set ambitious targets and develop robust performance measures.

In January 2024, the Treasury sent a letter to you on *Fiscal Objectives and Budget 2024*, setting out the need for strict fiscal management to ensure limited funds are directed towards the highest value investments. The Board should be prepared to demonstrate how the Commission's spending is as efficient, effective and responsive as possible to increase the prosperity of all New Zealanders.

Crown Financial Institutions (CFIs)

I expect all Crown Financial Institutions to:

- Operate in a manner that is fit-for-purpose, delivering on their legislated purpose, and balancing risk and return to assure investment performance is meeting long-term policy objectives and obligations;
- Actively consider their role within the Crown, understanding how their operations impact on broader Crown risk;
- Proactively work with Treasury and collaborate with the other CFIs to build resilience in the New Zealand economy;
- Apply the responsible investment framework and take a sustainable finance approach to operations.

As the Commission undertakes its core activities and plans for the future, we expect it to:

- ensure the nature, scope and pricing of services provided for the Crown recognises the Government's priorities while being at a level that enables operational sustainability;
- ensure the business operates efficiently and effectively, maintains a focus on driving down costs and seeking operational improvements wherever it can. This includes whether there could be reductions or changes to scope in order to best achieve sustainable cost-efficient delivery of services;
- adapt and innovate so as to ensure all the resources the Commission utilises remain fit-for-purpose;
- link executive remuneration to outcomes and disclose the chief executive's remuneration in line with the NZX Corporate Governance Code, specifically disclosure of the base salary, short- and long-term incentives and the performance criteria used to determine performance-based payments. If disclosure to this standard is not possible, we expect the annual report to explain why this is the case; and
- report on performance in a manner that is clear on the extent to which the Commission is achieving its objectives and represents value for money.

Specific expectations for the Commission

Strategic outlook for the Commission

The Commission is a unique organisation globally, and I see this as an opportunity to strengthen the organisation's role as a resilience leader. The Commission should play a leading role in supporting New Zealanders to build resilience against the natural hazards we face and supporting the wider government priorities regarding natural hazard risk management and access to affordable residential home insurance.

Natural Hazards Insurance Act 2023 (NHI Act)

I expect you to actively and ongoingly implement the NHI Act and to keep me abreast of any complications, issues, or opportunities of doing so.

Funding and Risk Management Statement (FRMS)

I expect to see continued work with Treasury officials, and for you to begin embedding the statement as soon as practicable, after it is gazetted, into the funding and financing decisions of the organisation.

Dispute Resolution Scheme

I expect you to monitor the implementation of the dispute resolution scheme that section 101 of the NHI Act requires you to participate in. As part of this monitoring, I expect you to consider the impact of the scheme on homeowners' ability to achieve fair and timely outcomes and to consult with insurers and other interested stakeholders on ways in which the dispute resolution process could be improved. I also expect you to engage with MBIE officials on any review of the accessibility and effectiveness of financial dispute resolution.

I expect you to report back to me on the result of this monitoring and consultation by 30 June 2025.

North Island Weather Events 2023

I expect you to manage the Natural Disaster Response Model effectively and to implement operational changes in response to lessons learned from the recent natural hazard events. I also expect you to keep my officials informed of significant updates from claims costs.

Canterbury Earthquake Sequence:

I expect you to make every effort to resolve all re-opened Canterbury claims and to inform the Treasury of any material change to the estimated liabilities relating to the Canterbury earthquakes.

On-Sold Programme

I expect you to effectively manage the remaining applications in line with your projections on costs and agreed actions on timeframes. I expect you to, where possible, find efficiencies in the programme that deliver equitable resolutions to applicants, and I expect you to work closely and openly with my officials with increased reporting while winding up the programme.

Southern Response

As the Commission manages the remaining claims on behalf of Southern Response, I expect you to continue working with the Treasury and any other relevant stakeholders as future options for the company are assessed. It is important to keep close communications with the company as it works towards its eventual wind down while the current arrangements are in place.

General governance expectations

With a relatively new Board and senior leadership, I note the importance of continued improvements in leadership and culture for the Commission to excel in its purpose.

The Treasury's Owner's Expectations document

Strong board governance is critical to the performance and success of the Crown's companies and entities. I refer you to the Treasury's [Owner's Expectations document](#), which discusses the role of boards and directors, the board appointment process, and expectations relating to governance. The document also outlines expectations for financial and other dimensions of performance, and matters such as reporting, disclosure, public accountability, and business cases. The Treasury is updating its Owner's Expectations document and is consulting you on its contents.

Board charter/code of practice

Each board is expected to have a charter/code of practice to provide guidance and to assist directors to carry out their duties and responsibilities effectively and in accordance with the highest professional and ethical standards. Each board's charter/code of practice should cover board procedures and reflect, among other duties and responsibilities:

- the requirement for directors to act in a politically impartial manner and conduct themselves in a way that enables them to act effectively under current and future governments. This includes not making political statements, engaging in political activity in relation to the functions of the Commission, and acting in ways that places Ministers or entities they are responsible for in a position of embarrassment; and
- the process in place for disclosing and dealing with conflicts of interest appropriately and promptly, including the maintenance of an interests register and the disclosure of interests at meetings or when certain issues are discussed. I expect your board to share this register with the Treasury as it is updated.

I expect you to disclose these documents in the interests of transparency and public accountability.

Board evaluations

Board evaluations are a tool for boards to improve their performance and allow Ministers to assess the performance of a board. Independent board evaluations should ideally take place biennially unless there have been significant changes to board composition or when commercial imperatives demand full board attention. Self-assessments of board performance are encouraged in between biennial independent board evaluations to assess performance to date and ensure the board is well positioned for future challenges. I expect you to share independent board evaluation and self-assessment results with the Treasury to contribute to its advice on board composition.

Further information

Your relationship manager at the Treasury will contact you to discuss these expectations.

If you have any questions, please contact Alecia Cole-Bowen, Principal Advisor, Commercial and Institutional Performance s9(2)(a)

I wish you every success with your endeavours in the coming year.

Yours sincerely



Hon David Seymour
Associate Minister of Finance

cc: Tina Mitchell, Chief Executive Earthquake Commission Toka Tū Ake,
s9(2)(a)