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The foundation from which we stand strong, together.

Toka Tū Ake EQC

Briefing for the Incoming Minister

November 2023

Te Kāwanatanga
o Aotearoa
New Zealand Government

Toka
Tū Ake **EQC**

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Letter from the Chair

Congratulations on your new appointment as Minister of Finance. We look forward to supporting on matters related to the EQC Scheme (the Scheme).

The Scheme exists to protect people and property by helping homeowners recover from natural hazard events. We do this by providing the first layer of residential land and building insurance cover for certain natural hazards. Under our guiding legislation, our strategic and functional roles are focused on reducing the impact of natural hazard events by promoting education and awareness before an event and by providing first-loss insurance as part of recovery.

As an organisation we are very conscious of the challenges facing communities across New Zealand, particularly the Hawke's Bay, Auckland and Nelson/Marlborough, as they recover from the significant and life-changing impacts of recent severe weather events. We are also mindful of the ongoing experiences of those impacted by the Canterbury and Kaikōura earthquake sequences with residual claims still to be settled.

Our delivery priorities for 2023/2024 reflect our core functions, and essential work we need to undertake for New Zealand, to ensure the Scheme supports the availability and affordability of adequate insurance throughout the country while serving homeowners well now and into the future.

- Resolving claims from the Upper North Island weather events and other recent events in a timely and fair way.

- Reviewing the end-to-end claims experience for homeowners from those events, noting that they generated a very high proportion of land claims, and identifying any systemic issues that may need to be addressed.
- Implementing the Natural Hazards Insurance Act 2023, including work to develop dispute resolution pathways.
- Resolving claims associated with the Canterbury Earthquake Sequence, including our administration of the Crown's On-Sold Programme.
- Ensuring a sound financial footing for the Scheme through our risk financing programme, which includes our traditional reinsurance programme and recently issued catastrophe bond, complemented by the Natural Disaster Fund.
- Advancing our resilience work programme, including how we work on natural hazard risk management across New Zealand.

Alongside these functions, we are preparing a new Statement of Intent and Statement of Performance Expectations, which need to be in place for 1 July 2024. We will provide drafts of these to you in April 2024.

We look forward to engaging with you soon on the matters above and discussing how we can best support you in your role.

Yours sincerely,



Chris Black
Chair

Introduction

This briefing provides you with an overview of the Scheme, our organisation and the key areas of focus for you to be aware of over the coming months.

This briefing will be supported by supplementary briefings and discussions over the coming weeks on the following areas:

- The Natural Disaster Response Model, which is the operating model we use to manage EQCover¹ claims, with private insurers acting as our agents and partners. This briefing will include the response to the Upper North Island weather events and the model's overall readiness to respond to natural hazard events.
- Implementing the new Act, including work to develop dispute resolution pathways.
- Resolving claims associated with the Canterbury Earthquake Sequence, including our administration of the Crown's On-Sold Programme.
- Risk financing, including our traditional reinsurance programme and recently issued Catastrophe bond.
- Our resilience work programme, including how we work on natural hazard risk management across New Zealand.

In addition to these supplementary briefings, we will provide you with fortnightly reports covering current and upcoming issues, media releases and queries, regular updates on performance against our Statement of Intent and Statement of Performance Expectations, and other relevant matters on a 'no-surprises' basis.

In the past, the Chair and Chief Executive have met with the Minister regularly. We look forward to discussing your preferences with you. We would also be keen to arrange for you to come to visit our offices and to meet the Board.

The organisation is referred to as the Commission throughout this briefing. We are in the process of implementing our name to become Toka Tū Ake Natural Hazards Commission from 1 July 2024, as set out in the Natural Hazards Insurance Act 2024. We currently use the name Toka Tū Ake EQC publicly to build recognition of our new name.

1 EQCover is the name of the Scheme's earthquake and natural disaster insurance for dwellings and land.

The Commission: who we are and what we do

Role and purpose

The Commission is a Crown Agent, created through our enabling legislation, the Earthquake Commission Act 1993 (EQC Act). The Crown Entities Act 2004 establishes the governance framework within which we work, while the EQC Act sets out our roles and functions.

Since 1945, the EQC Scheme has been one of the New Zealand Government's key policy interventions to manage the financial impact of significant natural disaster events on New Zealand and its people.

The Scheme has evolved to meet the changing needs of New Zealanders, government priorities, advances in technology and our understanding of the risks and perils that are covered by the Commission. In 2023, the Commission is working at full capacity to ensure New Zealanders have access to affordable, available natural disaster insurance, and that communities continue to increase their resilience to natural disasters.

The Commission's primary roles and functions are to:

- Provide natural hazard insurance for residential property and residential land.
- Administer the Natural Disaster Fund, including its investments and reinsurance².

- Fund research and education on natural hazards and ways of reducing their impact.
- Undertake additional functions specified in legislation or conferred by our Minister.

Our Strategic Framework

Our strategic direction through to 2025 is set out in our *Statement of Intent 2021-2025*:

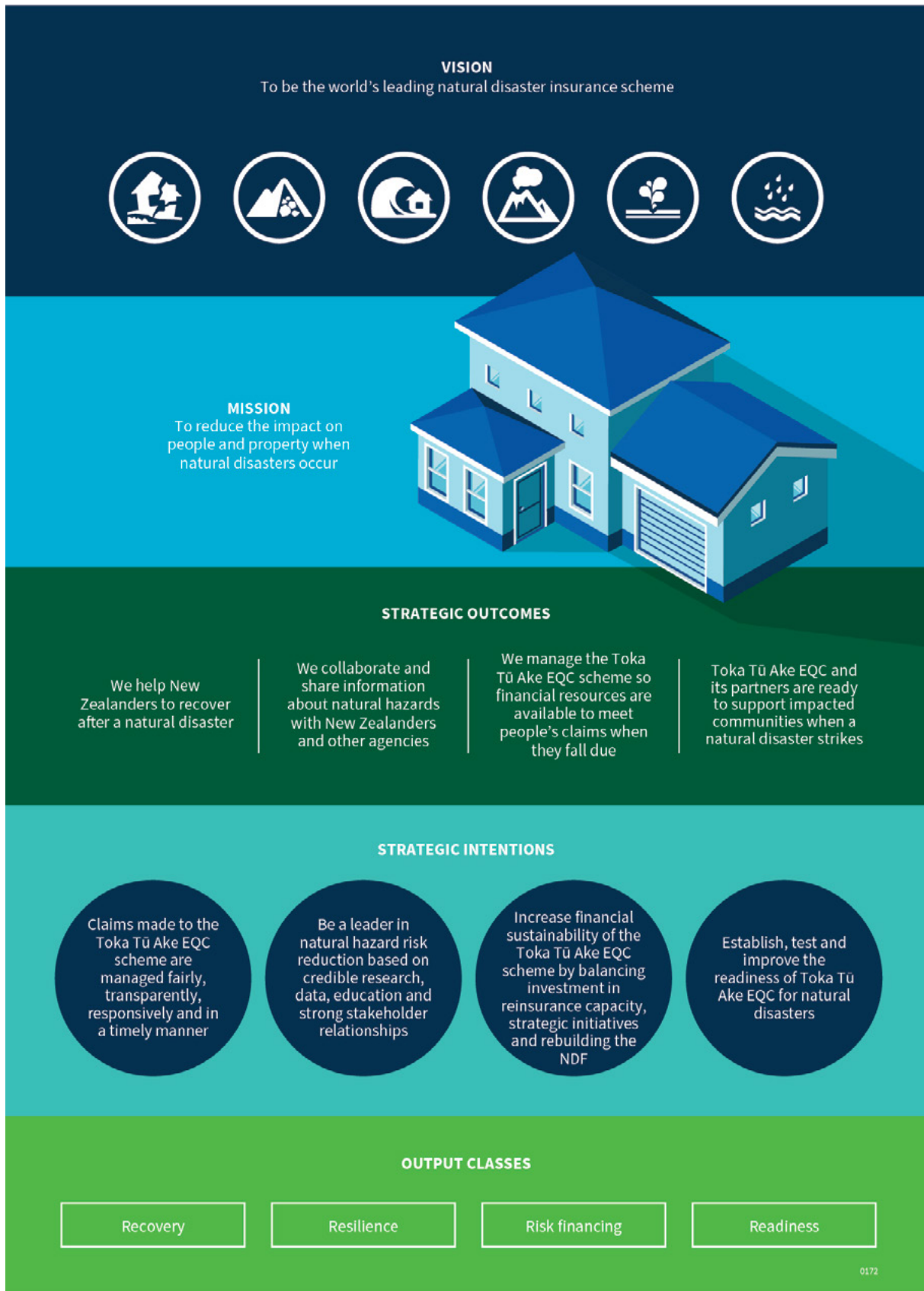
- Our enduring vision is “to be the world’s leading natural disaster insurance Scheme”
- Our mission is “to reduce the impact on people and property when natural disasters occur”.

Alongside our Statement of Intent 2021 – 2025, our Statement of Performance Expectations 2023 – 2024 established the priorities and measures for the 2023 – 2024 year to assess our performance. These measures are grouped within four output classes:

- **Recovery.**
- **Resilience.**
- **Risk financing.**
- **Readiness.**

The Commission's strategic framework is depicted in the diagram on the following page. By using a consistent strategic framework over time, we can track how these output classes support us to achieve our strategic intentions and outcomes and, ultimately, deliver on our mission and vision.

2 On 1 July 2024, the fund will be renamed the Natural Hazard Fund as part of the implementation of the Natural Hazards Insurance Act 2023.



The Scheme

Overview

The Commission provides homeowners with first-loss insurance cover³ against natural disasters, with a standard levy charged throughout the country to help homeowners retain insurance at affordable rates. By international standards, this means New Zealand homeowners have high levels of catastrophe insurance protection. Such a high rate of insurance means homeowners and the Government are better placed to meet the costs of natural disasters when they occur.

How we provide cover to New Zealanders

The Commission provides natural disaster insurance for damage to residential buildings and residential land. The Scheme insures against damage caused by specified hazards: damage to residential buildings that is a direct result of an earthquake, hydrothermal activity, a landslide, a tsunami, or volcanic activity or a fire that is a consequence of any of those hazards. We also cover damage to residential land that is a direct result of any of those hazards or a storm or a flood, or a fire that is a consequence of a storm or a flood.

Cover under the EQC Act (EQCover) is obtained automatically when a homeowner takes out a fire insurance policy for a residential building as defined by the EQC Act. The premium paid to the homeowner's insurance company includes the levy for EQCover⁴.

The value of EQCover is limited by caps and subject to the payment of excesses as specified in the EQC Act and regulations. The cap and excess levels were originally set in 1993. The latest change to the building cap occurred on 1 October 2022, raising the cap from \$150,000 (+ GST) to \$300,000 (+ GST).

This change was implemented between October 2022 and September 2023. All properties with EQCover now qualify for the cap of \$300,000 (+ GST). Damage to residential buildings above this cap is typically covered by a private insurance policy.

The maximum amount of EQCover for residential land is capped at the land value. EQCover pays the lower of either the cost to repair the damaged land or the land value. As this is first loss contribution, and private insurance policies do not cover land damage, this can mean homeowners receive a settlement which is less than the actual cost to repair or reinstate the land. It can also mean homeowners in different parts of the country receive different settlements, as land values vary.

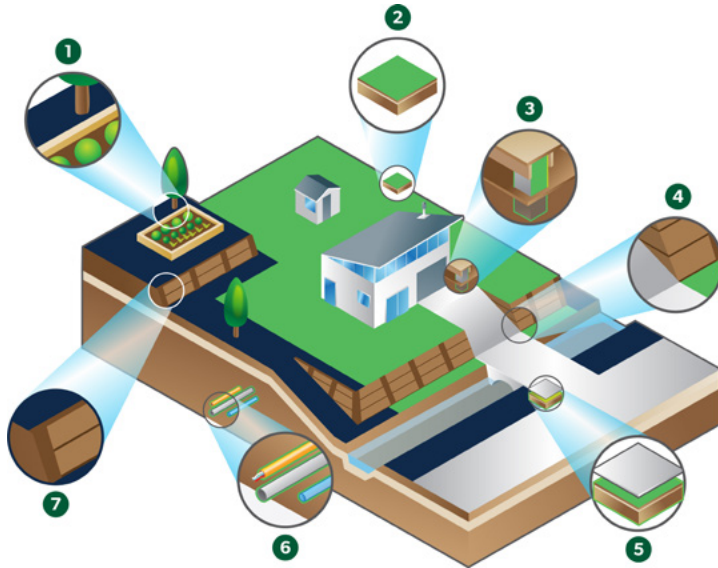
3 First loss insurance is a type of insurance that provides only partial cover. For EQCover, this means that cover is provided from the first dollar of a claim up to a maximum amount governed by our legislation. Once that cap has been reached, private insurance cover will be required to cover any remaining costs.

4 From October 2022, the annual premium amount is 16c per \$100 of the EQCover amount, up to a maximum of \$480 (+ GST).

The diagram below summarises the land and structures we cover for natural hazard events.

● Land covered by the Commission

● Land not covered by the Commission



1. Trees and gardens are not covered.
2. Land within 8 metres of your home and outbuildings is covered.
3. Any damage to your house's foundation is covered by the building claim (not the land claim).
4. Retaining walls that are within 60 metres of your house and are necessary for the support or protection of the house or any land areas are covered. Bridges and culverts that are within 8 metres of your house (or up to 60 metres if they form part of the main access way) are also covered.
5. Land within 60 metres of your house which forms the main access way is covered. Any artificial surface like asphalt or concrete is not covered.
6. Water, drainage, sewerage, gas and underground electricity and telephone lines are covered by the building claim (so long as they are serving the home, are within 60 metres of your home and owned by the homeowner).
7. Landscaping (non-structural walls) are not covered.

Scheme funding

Revenue and Expenses

Everyone with private home insurance with fire cover automatically pays the EQCover premium and is provided with EQCover (subject to the conditions in the EQC Act).

This revenue covers the Commission's costs incurred against the four output classes in our Statement of Intent, with the difference between expected revenue and proposed expenses used to pay current and future claims.

Our performance is assessed and reported to our monitoring agency, the Treasury, on a quarterly basis. The Commission is also audited annually by the Auditor-General, and this is reported in each Annual Report.

Financial overview at a glance

In 2022-2023, the Commission received funding from:

Premium income

This comes from insured homeowners and is paid to the Commission via private insurers.

**\$612
million**

Reinsurance claims

In 2022-2023, the amount we received in reinsurance payments was

**\$33
million**

In 2022-2023, the Commission paid out funding to:

Claims

Cash paid on claim settlements and handling costs throughout the year was

**\$239
million**

Reinsurance

The cost of purchasing reinsurance was

**\$286
million**

Crown Guarantee fee

Payment to the Crown was

**\$10
million**

Operating expenses

Covering future event preparation, event response preparation and other operating expenses was

**\$95
million**

The Scheme provides risk financing for the Crown

The Commission annual reinsurance programme provides protection for the Scheme and the broader Crown's balance sheet from catastrophic natural hazard events in New Zealand. It is one of the main benefits our Scheme delivers for New Zealanders - ensuring accessible insurance that protects homeowners from the natural hazard risks we live with.

In June 2023, we secured a record level of reinsurance of just under \$8.2 billion from the international market, up from \$7.4 billion the previous year. This includes \$225 million through a catastrophe bond which the Commission secured in May 2023.

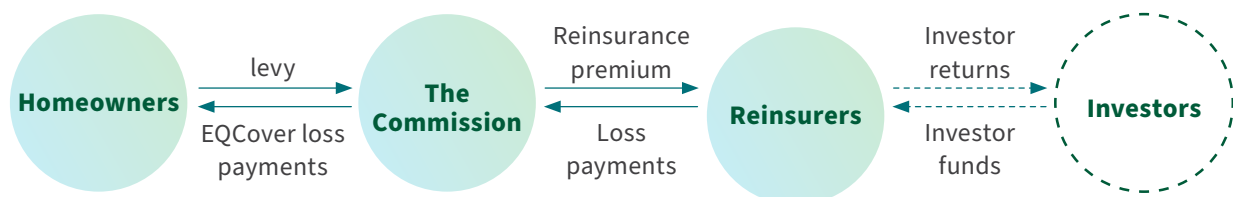
Our entry into the catastrophe bond market was a first for New Zealand, providing the Commission with access to a different capital pool, whilst complementing the long-standing relationships we have forged with traditional reinsurers.

While the catastrophe bond makes up a small part of our overall reinsurance portfolio, it was a significant step to secure multi-year protection for New Zealand and strengthen our risk transfer programme by increasing the number of organisations providing support.

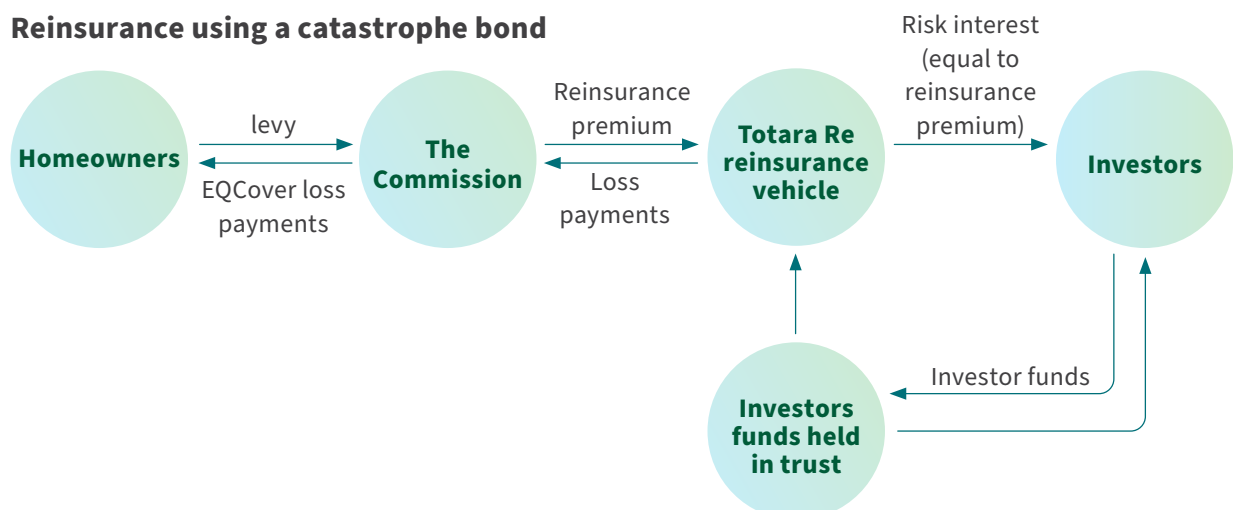
The diagram below highlights the key difference between traditional reinsurance and catastrophe bonds. With traditional reinsurance, the reinsurance contract is an obligation to pay for losses after a natural hazard event. The Commission relies upon an assessment of the underlying financial strength of individual reinsurance companies, provided by rating agencies such as Standard and Poors, to provide confidence that they will be able to meet all financial obligations after an event.

With a catastrophe bond, investors provide all the potential funding up front into an account which we are then able to access if the Scheme has a loss from a natural hazard event. The catastrophe bond reinsurer (Totara Re) is said to be “fully collateralised” in that it has the funds on hand to meet its total potential liabilities.

Reinsurance using the traditional mechanism



Reinsurance using a catastrophe bond



The Natural Disaster Response Model

One of the key lessons from the Canterbury earthquakes was that homeowners found it stressful and inefficient to go through two insurance processes – one with the Commission and then another with their private insurer.

When the Kaikōura earthquake happened in 2016, EQC and private insurers piloted an agency model where insurers managed all aspects of the insurance process, including EQCover claims on our behalf. This approach resulted in a much easier, simpler claims experience for homeowners and, along with the findings from the *Public Inquiry into the Earthquake Commission*, led to the development of the Natural Disaster Response Model (NDRM) which has been in operation since June 2021.

The NDRM has two components, the Natural Disaster Response Agreement (NDRA) and the Data Agreement. The NDRA is the multilateral agreement which enables private insurers to deliver claims administration services on behalf of the Commission.

Under the NDRM, insurers manage EQCover claims on our behalf. There is one point of contact for natural disaster claims, which gives homeowners simplicity and certainty. We have partnered with nine private insurance companies, representing more than 20 insurance brands, to deliver the NDRM.

The nine insurers partnered with the Commission are:

- **AA Insurance**
- **MAS**
- **Hollard**
- **Vero**
- **Chubb**
- **Tower**
- **FMG**
- **QBE**
- **IAG**

Together, these insurers cover over 95% of the residential insurance market. The Commission staff continue to directly manage claims from the remaining share of the market.

The Commission's role is to provide EQCover expertise, technical support, and training to insurers. We also work with insurers on event preparedness and have developed three event strategies with insurers. The Commission retains a residual claims management function, which encompasses managing claims not covered by the NDRM, reopened Canterbury and other claims.

The NDRA includes a provision for “core claims data” to be collected by the insurer and provided to the Commission. The primary purpose of this data is to provide the Commission with information about the customer and the claim and to ensure the claim has met the requirements of the EQC Act. This includes the Commission creating appropriate financial records, fulfilling commitments to its reinsurers, having claim records appropriate for loss modelling and resilience research, and satisfying its obligations under the Public Records Act 2005.

The Data Agreement is a separate multilateral agreement, which sets out the parameters under which the insurers provide their exposure data to the Commission, and how the Commission can use that data to carry out its statutory functions.

We will provide you with a supplementary briefing with detail on the NDRM in the coming weeks, including an update on the Upper North Island weather events. A brief summary of the weather events is outlined on page 17.



The evolving role of the Commission

The Commission of today is very different from that of 13 years ago. We have evolved from being primarily an insurance fund manager prior to 2010, to being a claims manager from 2010 to 2021, to managing a natural disaster insurance system in which claims are now primarily handled by private insurers.

Over the next three years, the Commission will continue to evolve. For example, we will:

- Make improvements to the NDRM and complete a three-year review of the model.
- Implement the Natural Hazards Insurance Act 2023, including a Code of Insured Person's Rights.
- Implement the first Funding and Risk Management Statement.

As the Commission continues to evolve, so does the world in which we operate. The increasing frequency, severity, and complexity of natural hazard events is being felt by significant parts of the population. The following sections outline some of the ways the Commission is evolving to meet the challenges of the future.

The impact of the Natural Hazards Insurance Act

We have been working with the Treasury and Parliament over the last three years to support a review of our current governing legislation.

The Natural Hazards Insurance Act received Royal Assent on 27 February 2023 and will come into effect on 1 July 2024.

The new Act draws on lessons learned over the past 30 years, modernises our governing legislation and gives effect to the findings of the Public Inquiry⁵ into the Earthquake Commission. While the Scheme remains fundamentally the same, the key changes it introduces are:

- **Clarifying the role of the Commission** – including formally changing our name to Toka Tū Ake Natural Hazards Commission, acknowledging that our mandate extends to helping New Zealanders recover from a range of natural hazards, not just earthquakes.
- **Introducing a Code of Insured Persons' Rights and a standing disputes resolution scheme** to guide our interactions with homeowners and support them when they have a complaint or dispute. This will help us settle claims in a fair and timely way.
- **Requirement for the Minister to issue a Funding and Risk Management Statement** to detail how the risks and costs of the Scheme are shared between levy payers and the Crown, including providing guidance on matters including investments and risk transfer.
- **Supporting New Zealand's resilience to natural hazards** by bringing greater emphasis to our resilience functions, including research and public education. New objectives for the Commission will support us to make broader contributions to New Zealand's resilience, such as by informing cross-government policy initiatives.

5 www.eqc.govt.nz/about-eqc/the-public-inquiry-into-eqc/

Resilience

The Commission's Resilience Strategy for Natural Hazard Risk Reduction underpins our resilience programme, which aims to influence and promote better natural hazard risk management in New Zealand, reduce the financial and social impacts from natural hazard events, and ensure New Zealand is better placed to manage its natural hazard resilience challenges in the future.

A crucial element of our resilience programme is the investment we make in natural hazards science, research, and data. This investment supports our statutory function to facilitate research and education about matters relevant to natural disaster damage, methods of reducing or preventing natural disaster damage and the insurance provided under EQC Act. It also provides assurance to international reinsurers that New Zealand is investing in understanding and managing its risk.

The Natural Hazards Insurance Act retains and expands our resilience functions, requiring us to contribute to improved:

- awareness and understanding of matters relating to natural hazards
- natural hazard risk management
- readiness for, resilience to, and recovery from, natural hazards, including by reducing the cost of recovery from natural hazards.

The new Act also requires us to share information, knowledge, and expertise with the Crown, public and private entities, and the public generally, including in relation to:

- natural hazards and their impacts

- damage to residential buildings, residential land, and other property as a result of natural hazards, including how that damage might be prevented or reduced
- community resilience to natural hazards
- natural hazard risk management
- planning for, and recovering from, natural hazards.

In addition to our science, education and research investment, we submit on land use plans and contribute to codes and professional standards to ensure natural hazard risk is recognised and factored into decision making.

We have recently released a Natural Hazards Portal, which supports our role in natural hazards research and education, making natural hazard risk information more easily accessible to New Zealanders. The aim of the Portal is to provide people with the information they need to make risk-informed choices about property and land. The Portal provides:

- information and explanation about natural hazard risks in New Zealand, including links to regional and local information
- information about past natural hazard events
- information about natural hazards insurance
- a claims 'map', which includes all historic, settled, closed EQCover claims from 1997 until the present (circa 380,000 claims). Users can search for a claim by address or navigate around the map to see patterns in claims, or suburb, district, or regional aggregated claims numbers.

We plan to continue to develop the Portal to add new functionality that may include additional Natural Hazard Map details, scenario, and risk capabilities.

Using data for insights

To achieve our vision of being the world's leading natural disaster insurance scheme, we put data and analytics at the heart of decision making. This requires ongoing investment in our people, processes and technology solutions.

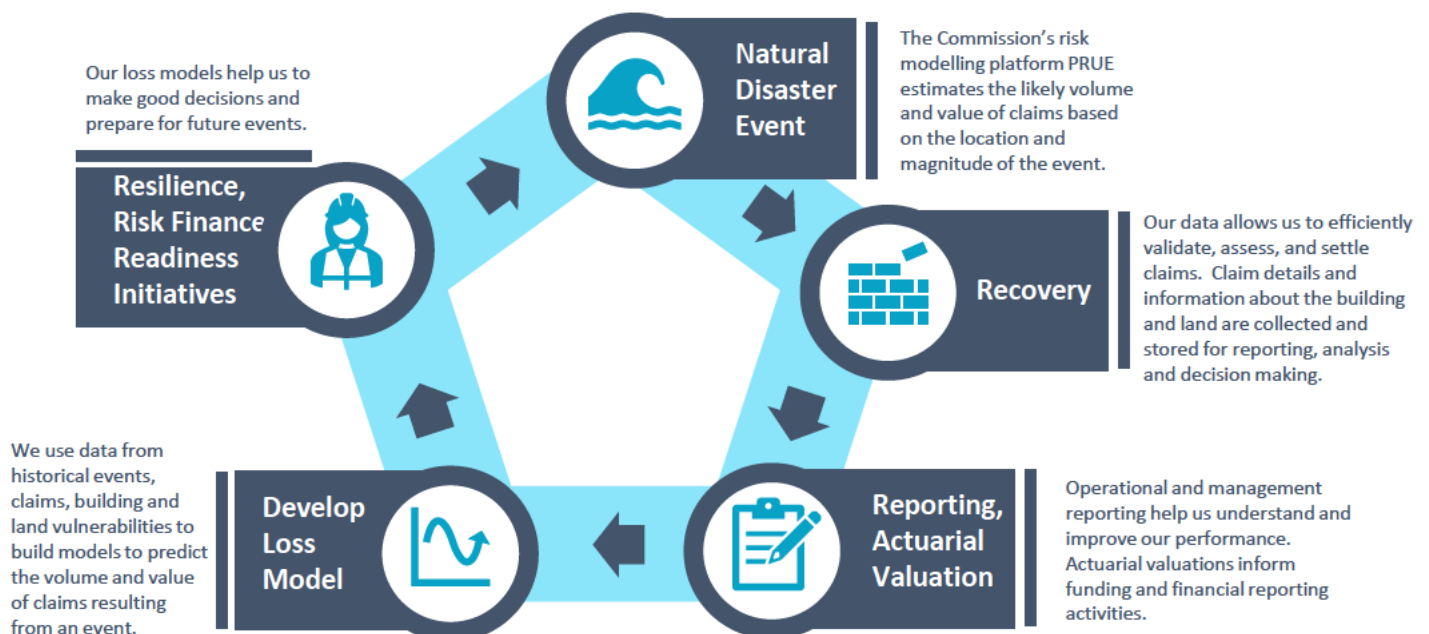
Our data supports risk financing through loss modelling and actuarial valuation and forecasting, resilience through risk modelling and mitigation analysis, and readiness through event planning and response.

The Commission's loss modelling platform, PRUE, is the tool we use to estimate natural hazard impact and financial exposure.

PRUE is based on GNS Science and NIWA's sophisticated risk modelling tool RiskScape®. We compare modelling results from PRUE to results generated by global commercial modelling companies Verisk and RMS. This helps us ensure that we understand the expectations of the reinsurance industry. We maintain relationships with both organisations so that we can share knowledge and stay up to date with their latest loss modelling capabilities.

Data is also used to ensure claims are managed fairly, transparently and in a timely manner regardless of whether they are managed by us or an insurer, and to provide information on the response to major events.

The diagram below shows our use of claim data following a natural disaster event and illustrates the importance of data to each of our strategic outputs.



We also use data to co-ordinate information sharing and cooperation. An example of this is where we were able to facilitate secure sharing of information between insurers about groups of impacted houses following recent weather-related events. This allowed insurers to proactively contact homeowners and avoid delays and duplication of effort from scarce technical experts through providing a co-ordinated response.

Key initiatives and significant upcoming matters requiring your attention

Over the coming months we will be seeking decisions and input from you on several areas, with the most significant of these set out below.

Severe North Island flooding and Cyclone Gabrielle events

We remain focussed on supporting recovery from the North Island weather events of early 2023, which resulted in a significant number of land claims.

Claim numbers: By 20 November 2023, 8,225 EQCover claims had been received for the severe North Island flooding and Cyclone Gabrielle events. We will provide you with updated claim numbers for these events each fortnight.

Engaging with insurers: We are continuing to work with insurers to support their management of EQCover claims. Examples of support we have provided include deploying claims management and assessment specialists to assist insurers and training new geotechnical engineers.

Support homeowners: Immediately following the events we ensured consistent information on EQCover was distributed by the relevant agencies including the National Emergency Management Agency. Our key message to homeowners is to contact their insurer directly for assistance with their EQCover claim.

The Commission has commissioned an independent review of this event. The review will examine key aspects of the response including governance and decision-making, communications, homeowner experience and risk management.

Much as the Canterbury earthquakes highlighted lessons for managing building claims, these events have been a significant test for managing residential land claims at scale. The review will identify event response improvements for implementation by the Commission and insurers. s9(2)(g)(i)

Note that a strategic review of the NDRM is also planned for 2024-25 once the model has had three full years of operation. This is discussed below.

Ministerial actions required to implement the Natural Hazards Insurance Act

The Commission is progressing work to implement a Code of Insured Persons Rights (Code) and become a member of an approved dispute resolution scheme. Both of these are requirements of the new Act, and both will require your approval, subject to you being satisfied of statutory criteria, including public consultation taking place.

We will provide your office with a supplementary briefing with more details about our approach, steps still to be taken and the decisions required. Upcoming actions include:

- We are currently undertaking public consultation on the Code, to be completed by end of November. s9(2)(f)(iv)
- We are currently undertaking a procurement process for the dispute resolution scheme, in line with the Government Procurement Rules. s9(2)(f)(iv)
- A range of regulations are required to support the commencement of the new Act. s9(2)(g)(i)
- You are required to prepare a Funding and Risk Management Statement (FRMS) prior to commencement of the Act, which will outline how the financial costs associated with the Scheme are shared between the Crown and levy payers. The Board of the Commission must be consulted on the FRMS. The Treasury and the Commission are working collaboratively in the preparation of the FRMS.

The Canterbury Earthquake Sequence On-Sold programme

In 2019, the Government introduced the On-Sold programme as a time-limited support package to address issues arising from On-Sold properties in Canterbury. The Government's objectives in delivering the programme include reducing the risk and potential cost of litigation for both the Scheme and affected Canterbury residents, and providing remedies to support a fair, timely and enduring resolution of the social issues arising from uncompensated damage to On-Sold properties.

We continue to manage the Crown's On-Sold programme for over-cap Canterbury earthquake-damaged homes sold prior to 15 August 2019. Under this programme the Crown provides ex-gratia payments to homeowners of On-Sold over-cap properties in Canterbury who meet certain criteria. The ex-gratia payment is for the cost of home repairs. Applications closed on 14 October 2020.

The programme requires that repairs are made to a house and funds are then released in tranche payments as the repair progresses. Variations to the settlement agreement may be made in some situations. As of 20 November 2023, of the 5,978 On-Sold applications:

- Of the 1463 eligible applications, 1,034 have signed a settlement agreement, with reinstatement work on 625 complete. Sixty have settlement agreements yet to be signed, and 369 applications are still progressing to a settlement agreement.
- A further 1,332 applicants to the programme were under the EQC cap and have been progressed as Canterbury earthquake claims.
- The remaining 3,183 applications are now closed. They were not progressed because they did not meet the criteria for the programme, the application was withdrawn or insufficient information was received, resulting in closure of the application.

Crown appropriation

The Crown funding appropriation for the On-Sold programme has previously been increased to reflect a higher-than-expected number of applications, COVID-19, supply chain issues and inflationary pressures. With the support of the Treasury, we have recently had the appropriation increased to \$705 million from \$580 million.

This increase followed a full actuarial review as at 30 June 2023 which estimated that the total life costs of the programme would be \$640 million. The latest appropriation allows for actual results to be higher than the actuarial estimate as a range of outcomes are possible, and there remains some risk that actual costs could ultimately exceed the latest appropriation.

We will continue to undertake regular reforecasts and work closely with Treasury on this issue. Our fortnightly report to you provides updates on the value of the Crown ex-gratia commitment, including the value of signed settlement agreements, value of variations and fees and related costs.

Representative class actions

The Commission has been served with a series of class actions in the last three years. The majority of these have been resolved or denied by the Courts. Two actions remain in progress. We will provide a more detailed update in follow up briefings.

Annual Report 2023

The Crown Entities Act requires the Commission to prepare and publish an annual report as soon as practicable following the end of the financial year. Annual reports have two main parts: commentary covering the activity of the past year consistent with the Commission's Statement of Performance Expectations and Statement of Intent; and audited financial statements.

The Board approved our 2022-2023 Annual Report on 20 October 2023, followed by EY issuing an audit report confirming their audit is complete. Section 150(1)(b) of the Crown Entities Act (CEA) requires the Commission to provide the Annual Report to the Minister responsible for the Commission within 15 working days of the audit report being issued. The Treasury and the Office of the Auditor-General advised Crown entities that the 15 working day deadline is not affected by the General Election. We therefore provided the Annual Report to the Caretaker Minister on 13 November 2023.

Section 150(3) of the CEA requires the Minister responsible for the reporting entity to present the Annual Report to the House of Representatives within five working days of receiving the report, or if Parliament is not in session, as soon as practicable once it is in session. As we were required to publish the annual report within ten working days of the Minister receiving it, the report has been published on our website alongside other accountability documents.

We do not expect the Annual Report to generate media interest but have prepared reactive material to respond to potential media queries.

In late 2023 or early 2024, the Commission will undergo its annual review by Parliament, along with other Crown entities and government organisations. We will update you on this process as information becomes available.

Statement of Intent and Statement of Performance Expectations

The Crown Entities Act also requires the Commission to prepare and publish a Statement of Intent (SOI) at least once every three years, and a Statement of Performance Expectations before the start of each financial year.

Our last SOI was published in 2021, outlining our strategy for the period 2021-25. We must produce an SOI in 2024 to align with the Natural Hazards Insurance Act coming into force. The SOI must cover the next four financial years (2024-2028).

Work is underway on the SOI and Statement of Performance Expectations. You have an important role to play in the development and finalisation of both products. We will brief you in due course on the timeframes for delivery of these accountability documents.

Other significant matters on the Commission's agenda

Review of the Natural Disaster Response Model

An independent review of the NDRM will be conducted in 2024-25. This strategic review will consider the NDRM's performance against the objectives for the model's establishment. The timing of this review will enable the reviewer to consider three full years of the model's operation and the results of the review into the North Island events.

Implementing Public Inquiry Recommendations

The Public Inquiry into the Earthquake Commission was established in November 2018, to examine the role and work of EQC, and to learn from the Canterbury Earthquake Sequence experience to inform how the organisation operates in the future. The report on the Inquiry was released in April 2020.

The report highlights the challenges faced by the Commission in responding to the Canterbury earthquakes, the most complex and damaging earthquake sequence in recent times. There were 70 recommendations to help ensure no other community experiences the same stress and uncertainty following a natural hazard event.

The Government accepted all 70 recommendations and assigned 41 to the Commission to lead. The Treasury oversees and monitors agencies' implementation of recommendations. Fulfilling the 41 recommendations has been a priority for the Commission over the last two and a half years. In a milestone achievement this year, the final two of these have now been closed out:

- Work was completed to release phase one of our Natural Hazards Portal in July 2023, with more detail on this included in the Resilience section.
- We also released independent research in June 2023 that we commissioned on the impacts of cash settlements of EQCover claims in the Kaikōura/Hurunui earthquake, including the longer-term impact on the quality of the housing stock and the wellbeing of claimants.

We are also working alongside the Ministry of Housing and Urban Development to support them in progressing recommendations from the Inquiry that they were leading. ^{s9(2)(j)}



The Commission interests in cross-government policy issues

The Commission holds strong interests in cross-government policy issues relating to New Zealand's resilience to and recovery from natural hazard events, funding and financing, and any initiatives that affect how homeowners interact with our Scheme. We are also able to offer valuable expertise in these areas due to our functions and experience of previous natural hazard events.

Key examples are climate adaptation and managed retreat, resource management and land use, and specific responses to Cyclone Gabrielle and 2023 North Island weather events, including housing recovery and central/local government funding arrangements to 'buy out' certain properties on severely affected land.

We maintain relationships with lead agencies including the Ministry for the Environment, NEMA, DIA and MBIE and will update you regularly on feedback provided to other agencies.



Governance, leadership, and our organisation

Key contacts

Board of Commissioners

The Board is the governing body of the Commission. The Board has the authority to exercise the powers necessary to perform the functions of the Commission. The Board is accountable to you as the Minister responsible for the Commission.

All decisions relating to the operation of the Commission are made by (or under the authority of) the Board in accordance with the EQC Act and the Crown Entities Act.

The role of the Board is to:

- set the strategic direction for the Commission
- ensure resources and objectives are aligned
- monitor financial, organisational and management performance
- appoint the Chief Executive Officer
- ensure, through the activities of management, that the Commission complies with its legal obligations.

The Board gives effect to government policy through the Statement of Intent and the Statement of Performance Expectations under which the Minister responsible for the Commission and the Commission agree on specific deliverables.

The Board is also guided by an annual letter of expectations and an enduring letter of expectations that sets out your expectations for the Commission.

The Board Chair is Chris Black, who took up the position on 1 July 2022. New Board appointments will need to be made over the coming year. We will engage with you and the Treasury to ensure a smooth appointment process supports the ongoing functioning of the Board.





Chris Black - Board Chair

CA, PGDip Accounting, BSurv, MInstD

Chris brings more than 25 years governance and executive experience with a strong background in insurance, banking, and investment management. He was previously Chief Executive of Farmers Mutual Group from 2008 to 2021, has been the President of the Insurance Council of New Zealand and served on the Board of the Insurance & Financial Services Ombudsman Scheme. Chris has expertise in corporate strategy, customer service, financial and risk management, and leading cultural change. Chris was appointed to the Board of the Commission in April 2022 and as Chair from 1 July 2022. He is also Chair of Rabobank NZ, on several boards in the Southern Cross health group, and a trustee of the Mental Health Foundation.

Term ends: 31 March 2025



Hon Ruth Dyson - Deputy Chair

QSO

Ruth Dyson has had a lengthy political career, serving as President of the NZ Labour Party from 1988 to 1992 and as a Member of Parliament from 1993 to 2020 representing the electorates of Lyttelton, Banks Peninsula and Port Hills. She was a Cabinet Minister between 1999 and 2008, serving as Minister for Social Development, ACC, Labour, Disability Issues and Senior Citizens amongst others. She has a strong public policy background and a track record of working for her constituents following the Canterbury earthquakes. She was Opposition spokesperson for Canterbury Earthquake Recovery, Chief Whip and Assistant Speaker prior to her retirement. Ruth joined the Board of the Commission in May 2021 and was appointed Deputy Chair in April 2022.

Term ends: 30 April 2026



Alastair Hercus

BA (Hons), LLB, CMInstD

Alastair has been a Partner at Buddle Findlay since 1995, following an earlier career as a diplomat in the Ministry of Foreign Affairs and Trade. He brings legal, governance and government sector experience. He has insurance sector experience as former Deputy Chair of the Medical Assurance Society and is currently Chair of Co-operative Life Ltd. He is also a Director of Invercargill Airport Ltd and the Fonterra Shareholders' Fund, and Chair of the Risk & Advisory Committee at the Ministry of Business, Innovation and Employment. Alastair brings a focus on the Commission policy, regulatory and commercial environment, including responses to the Public Inquiry, regulatory changes, and the Commission relationship with the private insurance industry. Alastair joined the Board of the Commission on 1 March 2020, and is Chair of the Audit and Risk Committee.

Terms ends: 30 June 2025



Alister James

QSO, LLB, MInstD

Alister is a Christchurch barrister with significant public sector governance experience, whose active involvement in the community and voluntary sector was recognised by his appointment as a Companion of the Queen's Service Order in 2004. Alister was a Christchurch City councillor for 20 years and a member and former Chair of the Canterbury District Health Board. He has also previously served as British Honorary Consul, Deputy Chair of the State Housing Appeal Authority, Director and Chair of Christchurch City Holdings Limited, Chair of the Ngā Hau e Whā Christchurch National Marae and independent Chair of the Greater Christchurch Public Transport Joint Committee. Alister is the Chair of Southern Response Earthquake Services and joined the Board of the Commission in May 2021.

Term ends: 30 April 2024



Erica Seville

PhD, BE (Hons), CMInstD, Hon FBCI

Erica brings a strong focus on building broader resilience for the Commission, as well as preparing for our role during a disaster recovery. She is the co-founder of Resilient Organisations, a social enterprise undertaking both public-good research and consulting to help organisations and communities to improve their resilience. Erica has a PhD in risk management and has experience leading several major research programmes in the fields of disaster management, economic and business recovery, and the efficacy of insurance. In addition to her role with the Commission, Erica is also a director for Resilient Organisations, BRANZ, and is Chair of RRANZ. Erica joined the Board of the Commission on 1 July 2018 and is the Chair of the People and Culture sub-committee.

Term ends: 30 June 2024



Fiona Wilson

BSc, MSc, GradDipApplStats, CMInstD

Fiona brings a focus on sustainable growth and business improvement with a deep understanding of the ability of data and technology to enable change. She has been responsible for leading successful change programmes and improving business resilience across organisations, ranging from privately held through to entire public health systems. Fiona has spent a good deal of her career in the public sector so is highly experienced working in complex businesses involving diverse stakeholder groups. She has held Chief Information Officer and Chief Executive Officer roles in Australia and New Zealand. As CEO of an analytics business, she has guided major organisations in public and private sectors to develop analytics capability, data governance maturity and programme delivery performance. With a background in medical research and statistics, Fiona is passionate about helping businesses make greater use of data and analytics to improve their processes, decision-making and overall business performance. Fiona joined the Board of the Commission in March 2020.

Term ends: 31 August 2024



Scott Lewis

BBS, FIAA, FNZSA, CMInstD

Scott has more than 30 years' experience in the insurance industry in New Zealand and overseas. He has held senior management positions at Vero, Lumley and IAG, and has also worked in the public sector at Oranga Tamariki. Scott has a passion for helping to understand how modelling and analytics can provide meaningful insights to improve decision-making. He has expertise in capital management, reinsurance, pricing, data analytics and risk management. He has also worked on the Canterbury Earthquakes claims response for a major insurer. Scott is a Fellow of the Institute of Actuaries of Australia and the NZ Society of Actuaries. He is currently President of the NZ Society of Actuaries. Scott joined the Board of the Commission in 2020 and is Chair of the Loss Modelling and Risk Financing Committee.

Term ends: 28 February 2026



Ziena Jalil

MA (Hons), BCS, DipIntlTrade, MInstD

Ziena brings a rich experience as an accomplished business and public sector leader with a focus on delivering equity and opportunity for those with diverse cultures, abilities, and experiences. A champion of customer and community centricity, Ziena has worked with some of New Zealand's largest businesses and organisations on their strategies, building their stakeholder relationships, reputations, and revenue. She advocates for outcomes that make a difference and is passionate about supporting the growth of women and young people from Māori, Pacific and ethnic communities. Ziena holds governance positions across public, private and charity sectors, including roles with Education New Zealand, DNA Design, Asia New Zealand Foundation, and the Cancer Society Auckland Northland. She has received several international awards for her work promoting New Zealand trade and education in Asia, where she was based for 10 years. Ziena joined the Board of the Commission in July 2022.

Term ends: 30 June 2025



Andrea Brunner

L.L.B, BA, MBA, ANZIIF (Snr Assoc) CIP, CFInstD

Andrea brings more than 20 years of senior executive experience primarily within financial services, including general and life and health insurance, and consumer banking. She has significant experience leading client-facing as well as corporate functions within financial services and brings specialist expertise in the areas of people and culture, marketing, communications, change management, customer experience, strategic partnerships and stakeholder management. Andrea has previously served on the ICNZ Employment and Education Committee, including five years as Chair. Andrea joined the Board of the Commission in May 2023.

Term ends: 30 April 2026

Executive Leadership Team

The Executive Leadership Team's key roles are to:

- provide advice to the Board to assist them in exercising their duties
- implement the strategic direction set by the Board
- define organisational and business strategies and policies
- build organisational capability
- manage the organisation's performance.

The Chief Executive is accountable to the Board and reports to the Board Chair. Together the Chief Executive and eight members of the Executive Leadership Team are responsible for the four essential functions the Commission delivers for New Zealanders - Recovery, Resilience, Risk financing and Readiness - along with our supporting functions of Strategy, Finance, People and Culture, Data, Performance and Reporting.

The current members of the Executive Leadership Team are:



Tina Mitchell

Chief Executive

Tina leads the organisation by working with our Board, stakeholders, and staff to deliver on the Commission's strategy. She reports to Ministers and the public on the Commission's work.



Hamish Wall

Strategic Advisor to the Chief Executive

Hamish is the Strategic Advisor to the Chief Executive responsible for the provision of executive leadership support and strategic advisory services on the delivery of the Commission strategic priorities and objectives.



Pip Andrews

Head of On-Solds

Pip leads a team administering the On-Sold Government Support Package, providing assistance for Canterbury homeowners.



Michala Beacham

Director, Natural Hazards Insurance Act Implementation

Michala is leading our all of organisation effort, including with external stakeholders, to implement the Natural Hazards Insurance Act by 1 July 2024.



Chris Chainey

Chief Financial Officer

Chris leads the Risk and Financing group to provide financial, risk and procurement expertise to the organisation as well as managing agreements with international reinsurers and Direct EQCover.



Saane Havea

Head of Performance and Reporting

Saane leads the Performance & Reporting team, responsible for providing reporting, commercial and business improvement services to help with the settlement of claims. The team also provides support with operational programme management to ensure resources, activities and capabilities are aligned to deliver against the organisational strategy.



Rob Hodgson

Chief Data Officer and Acting Chief Strategy Officer

Rob leads the Commission's Data & Information Technology Group responsible for data engineering, actuarial services, risk modelling, loss modelling, analytics, IT operations and services, information security, information management, and enterprise portfolio management.

Rob is also Acting Chief Strategy Officer. The Strategy Group includes strategy, policy, government relations, communications, media, stakeholder engagement and legal services.



Dr Jo Horrocks

Chief Resilience and Research Officer

Jo's team contributes to a programme of around \$24 million investment in scientific data, research, and education to help us better understand New Zealand's natural hazards risks.



Catherine Taylor

Chief People Officer

Catherine leads the People, Culture & Capability (PC&C) Group. Based in both Wellington and Christchurch this group includes our Organisational Development, Business Partnering and Health, Safety, Security & Wellbeing teams.



Kate Tod

Chief Readiness and Recovery Officer

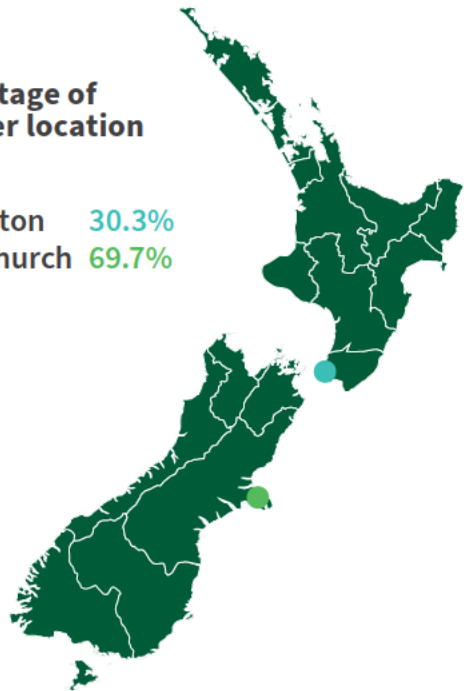
Kate leads our Readiness and Recovery group, working with teams to build our readiness for natural hazard events and provide EQCover to homeowners.

Our organisation at a glance

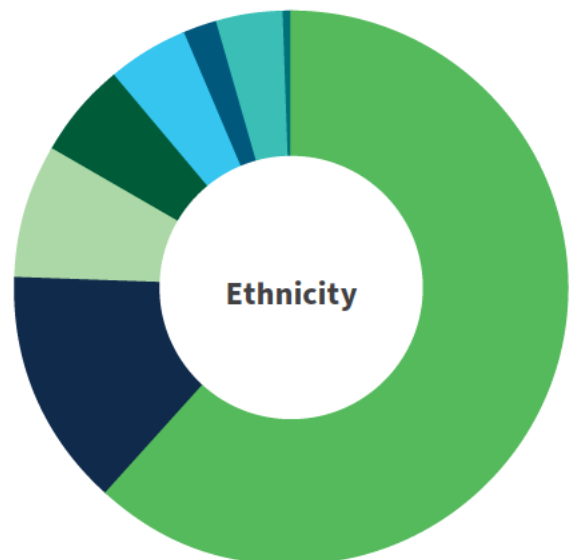
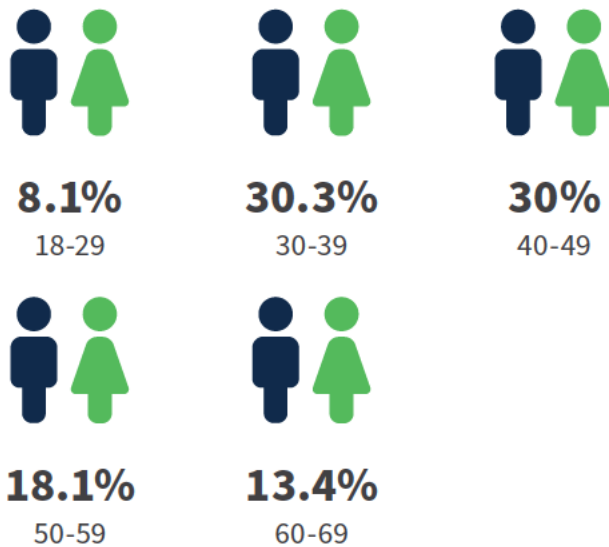


Percentage of staff per location

Wellington 30.3%
Christchurch 69.7%

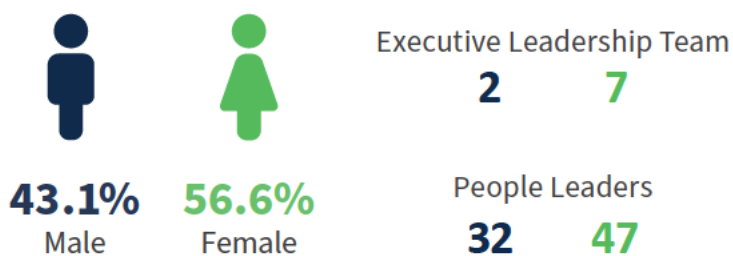


Age range - years



The average age of people working at Toka Tū Ake EQC is 44.

Gender



Executive Leadership Team

2 **7**

People Leaders

32 **47**

NZ European	61.9%
European	13.8%
Asian	7.8%
Māori	5.6%
Pasifika	4.7%
Indian	1.9%
Other	4.1%
Undisclosed	0.3%

Working towards carbon neutrality

The Commission is working to meet the requirements of the Carbon Neutral Government Programme. Our greenhouse gas emissions measurement (emissions data and calculations) has been independently verified by Toitū Envirocare and we are proudly a Toitū carbonreduce organisation, which means we are measuring, managing, and reducing our emissions in accordance with Toitū requirements.

In line with Carbon Neutral Government Programme guidance, we have set a target to reduce our emissions by 21 percent by 2025 and 42 percent by 2030, using 2019-2020 as a baseline. As of 30 June 2023, we have reduced our emissions by 23 percent.



Background information

Your role as the Minister responsible for the Commission

The Minister responsible for the Commission is responsible to the House of Representatives for the Commission's performance and oversees the Commission in accordance with the Crown Entities Act and the EQC Act.

The Board of the Commission is responsible for giving effect to government policy. In practice, this is achieved through the Statement of Intent and the Statement of Performance Expectations under which the responsible Minister and the Commission agree specific deliverables.

The Treasury is the Commission's monitoring department. The Treasury supports the responsible Minister to fulfil their role and undertakes other statutory functions such as administering appropriations and legislation as required.

A productive three-way relationship is required between the responsible Minister, the statutory entity and the monitoring department. Treasury and the Commission work closely to provide advice to Ministers.

The monitoring Treasury department assists the Minister and the entity with planning, monitoring, and reporting organisational performance. The Treasury is also the lead agency on the Natural Hazards Insurance Act and associated regulations, is responsible for managing the Board appointment process for the Commission and providing necessary advice to Ministers.

You are required to table the Commission's Statement of Intent, Statement of Performance Expectations and Annual Report in the House, and to present the Commission with an annual Letter of Expectations. The annual review of the Commission is usually undertaken by the Finance and Expenditure Committee and the associated hearing is generally attended by the Chair and Chief Executive. From time to time, Ministers may be asked to appear before Select Committees to comment on the Commission's activities.

Functions under the EQC Act

Your key functions under the EQC Act are to:

- hold the shares issued by the Commission in accordance with section 7 of the EQC Act
- determine the amount of any dividend payable by the Commission
- determine sums payable by the Commission to a Crown Bank Account in lieu of income tax
- provide out of public money such sums that are necessary to meet deficiencies in the NDF.

There will be changes to these functions under the Natural Hazards Insurance Act. Supplementary briefings will be provided on these changes, and all other implications from the new Act coming into effect on 1 July 2024.

Your role under the Crown Entities Act

The Crown Entities Act sets out the role of the responsible Ministers to oversee and manage the Crown's interests in, and relationship with, the Commission. This includes the Ministers' functions and powers in relation to:

- Appointing and removing Board members
- Determining the remuneration of Board members
- Giving directions to the Commission
- Reviewing the operations and performance of the Commission
- Requesting information from the Commission
- Participating in the process of setting and monitoring the Commission's strategic direction and targets.

"No surprises" approach

In 2019, the Minister of Finance and Minister for State Services issued an updated enduring letter of expectations to Crown Entities, noting the expectation that Crown Entity Boards regularly and transparently report to Ministers on entity performance, risks, and opportunities.

The 'no surprises' principle found in the Cabinet Manual states that, as a general rule, entities should inform their Minister promptly of any matters of significance within their portfolio responsibilities, particularly where these matters may be controversial or become the subject of public debate.

Minister's power to request information

Under the Crown Entities Act, any responsible Minister(s) have the power to request information (section 133), although it should be noted that the Commission has always been happy to provide information as required, and Ministers have never had to rely on section 133 to receive information.

The Board of the Commission must supply to the Minister of Finance any information requested by the Minister in connection with the exercise of his or her powers under Part 4 of the Crown Entities Act.

The Board of the Commission must also supply the Minister for the Public Service any information requested by the Minister, where that information is requested for the purpose of assessing the capability and performance of the Public Service, and the request is made to a group of at least three entities that have in common at least one significant characteristic that relates to the information requested.

Ministerial Directions

Several functions have been conferred on the Commission under section 112 of the Crown Entities Act under the direction of previous Ministers. These directions are:

- **Investments (30 October 2001)** – Requiring the Commission to produce and comply with a Statement of Investment Policies, Standards and Procedures.
- **Damage apportioned to unclaimed events (December 2012)** – A direction allowing the Commission to make payment in relation to building damage apportioned to events that formed part of the Canterbury earthquake sequence, even where the insured person did not notify the Commission of damage for each event in the sequence. This direction was amended in December 2013 – Amending the previous direction that no excess applies in respect of the unclaimed event.
- **Natural Disaster Fund investment policies (July 2015)** – A direction to ensure the Commission invests the Natural Disaster Fund only in New Zealand Government stock and bank deposits. The direction also includes requirements to notify the Minister when the Fund reaches certain financial limits.
- **Land damage apportioned to unclaimed events (October 2015)** – A direction allowing the Commission to pay out on land damage apportioned to events that formed part of the Canterbury earthquake sequence, even where the insured person did not notify the Commission of damage for each event in the sequence.

- **Administering the On-sold programme (October 2019)** – A direction to administer the support package established by the Crown for qualifying owners of on-sold properties.
- **Acting as agent for Southern Response Earthquake Services Limited (SRES)** – A direction to that the Commission may act as agent for SRES for the purposes of administering open insurance claims against SRES in respect of damage arising from the Canterbury earthquakes, being claims that exceed, or may exceed, the cap.

In performing the additional function under this direction, the Commission must act in accordance with the terms and conditions of the agency agreement dated 21 October 2019 between the Commission and SRES (as varied by agreement between the parties from time-to-time following consultation with the Minister).

- **Replacing certain storm water and sewerage services and structures under the Canterbury sequence** – A direction to pay the amount of the damage to or replace or reinstate (at the Commission's option), any storm water and sewerage services and structures appurtenant to them that suffered damage as the direct result of one or more of the 2010-2011 Canterbury earthquake sequence.

The Commission is also subject to the following whole-of-government directions.

- **New Zealand Business Number (NZBN)** - A direction from the Minister for the Public Service and the Minister of Finance sets out requirements for agencies to implement the NZBN. The Commission records NZBN numbers as part of new supplier registration. Our finance system has a searchable NZBN field. Existing suppliers have had their NZBN numbers updated wherever possible.
- **Carbon Neutral Government Programme** - A direction from the Minister for the Public Service and the Minister of Finance sets out requirements for agencies to implement the Carbon Neutral Government Programme.

