

RUMBLINGS

FOR THE INSURANCE INDUSTRY

Role of EQC in society impresses new CEO



The role of the Earthquake Commission in mitigating the economic and social impacts of major disasters in New Zealand should not be underestimated, says new chief executive Ian Simpson.

"I knew this to some extent from the outset but now, having spent four months in the job, I am appreciating it more and more."

Ian says that he relishes the opportunity to help enhance this role in whatever way he can.

"I am fortunate to have been appointed to head a well-run organisation and one that is operated efficiently by a team of people who know what they are doing, yet there is of course room for improvement. Such is the nature of organisations."

As an example of this Ian refers to the 2009 review of EQC's catastrophe response planning. While the review was very positive it did identify some areas for improvement and particularly EQC's ability to handle large numbers of claims following a major event.

"EQC has been working steadily on improving its ability in this area since its inception. I would like to see if we can now take another step forward so we are able to manage a larger number of claims within a shorter time frame."

"All-in-all I am confident we can take what is already a world class programme and make it better."

Getting to know EQC also involves getting to know the various people, organisations and industries who either do or perhaps should have a relationship with EQC, Ian believes.

"I am keen to build relationships with the wide range of interested or potentially interested parties including private insurers, other natural disaster agencies, science organisations, and the wider community. EQC can only operate at maximum effectiveness if it both understands and is understood and where there is considerable goodwill on all sides."

Ian came to EQC from the Accident Compensation Corporation (ACC) where he was general manager, finance, a position he had held since 2006. There he was responsible for the management of financial resources and the returns of ACC's NZ\$11bn global investment fund.

His career has taken some surprising twists and turns to date. He was born and grew up in the north of England and went to the University of Manchester from 1985-1988 where he earned an honours degree in mathematics.

After graduating he went to work for BP in London as a systems and business analyst and thought that this was the beginning of a career in IT. However, his ability with numbers and his growing understanding of BP's business led him into the finance side and he was appointed first as their Asia Pacific finance systems manager based in Melbourne, Australia, and then as capital markets executive back in London.

After eight years with BP he joined Diageo plc which Ian describes as "the world's leading

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EQC in the spotlight at Te Papa

A tremendous new EQC display within the "Awesome Forces" exhibition at Te Papa was unveiled during March (see below).

Since Te Papa's opening in February 1998, just over 10 million people have been through the exhibition, to learn about the great forces that have shaped New Zealand (and even more importantly that continue to shape it).

The new display conveys EQC's role in mitigating the effects of this geological drama. The importance of preparing through both insurance and mitigation is underscored in the stories of people affected by the Fiordland and Gisborne earthquakes, in the computer game and in the sobering timeline of disasters that have hit New Zealand.

Bringing the story of EQC and the role it plays, to New Zealanders, is one of the ways in which EQC helps people prepare for natural disasters – both the large and the not so large.





premium drinks business" with a market capitalisation of over £30bn, offices in around 80 countries and a staff of more than 30,000.

Here he began as interest rate risk manager in Diageo's London-based HQ and went on to hold a range of corporate finance roles for the company in both the UK and Europe.

Feeling the need to further his learning as well as improve his understanding of business, Ian applied for and was accepted into the INSEAD MBA programme in Fontainebleau, France. The focus of his study was on strategy and marketing electives. He graduated with distinction and topped the class for the core finance course.

Ian returned to Diageo after his MBA to take up the position of finance director, Central and Eastern Europe, based in Lausanne, Switzerland.

"My key objective was to drive business performance across the region by supporting, coaching and challenging the general managers in each of the individual markets," Ian says.

Meanwhile Ian had met (while working in Melbourne for BP) and married Joanne, a New Zealander from Wellington.

"I had been spending a lot of time away from home and was beginning to feel like a change. We looked at an opportunity in South Africa and while it would have been good for my career there were downsides as well, particularly from a family perspective. Joanne said maybe we should go to New Zealand and try our luck there. I was familiar with the country and didn't need much persuasion."

So the Simpsons turned up in Wellington in 2005 and a short while later Ian had applied for and got the job of general manager, finance at ACC.

"Yes there was an element of desire to improve our lifestyle in our decision to come to New Zealand and it has worked out well. I thoroughly enjoyed my time at ACC and I am now enthusiastic about the chief executive role at EQC."

For the record, Ian speaks French and Spanish (although a little rustily), enjoys sailing, skiing, photography and keeping up with the latest developments in technology and IT and is an avid fan of most motor sports.

Support for new loss adjusters

EQC has introduced a new scheme designed to bolster the number of loss adjusters in New Zealand and, in turn, ensure there are adequate numbers available to work for EQC following a major natural disaster.

EQC's insurance manager, Lance Dixon, says that in addition to its pool of contracted loss adjusters, EQC also employs trained professionals from the major loss adjusting companies to inspect and report on its claims.

"We decided on this arrangement because we are unable to provide a regular supply of work but it's important that there are enough loss adjusters should a major disaster strike," he says.

The new scheme strengthens this approach and involves EQC supporting the employment of trainee loss adjusters within the major firms for three-year periods. The first three trainees are based at Auckland, Wellington and Christchurch loss adjusting companies.

Each year a maximum of six such positions will be available to applicants.

"During their time as trainees, they are available to undertake work for EQC, should the need arise," Lance Dixon says.

"And, over time, there will be a larger pool of adjusters available to work for EQC.

Currently the Commission has trained 250 loss adjusters from both New Zealand and Australia who are able to work for EQC if available.

For the December 2007 Gisborne earthquake EQC employed 22 loss adjusters and 15 estimators on any given day to help handle the 6,000 claims. Following the July earthquake in Fiordland last year, the Commission used 14 loss adjusters and 15 estimators.

"To extend a cliché, the new initiative is a win-win-win. It is good for EQC, good for the loss adjusting companies and, eventually, it will also be good for the country."



Reconnaissance trip to Chile

Four months after the devastating magnitude 8.8 earthquake in central Chile, tens of thousands of people remain in temporary accommodation, and many industries have lost production, says EQC's research manager, Hugh Cowan.

Hugh co-led a 14-strong team on a reconnaissance trip to Chile in May and he says the earthquake was the first of its type to test buildings constructed to modern standards. This is a type of quake most likely to affect towns throughout the North Island and the top of the South, as well as other Pacific Rim cities such as Seattle, Vancouver and Tokyo.

The primary objective of Chile's building code, which is similar to that of New Zealand, is to preserve life by minimizing the risk of collapse. The code performed well overall. However, many modern buildings and facilities suffered damage to non-structural components, including suspended ceilings, internal partition walls and exterior claddings, glazing and building services of many types. This damage rendered many buildings unusable, contributing more than any other factor to severe economic and social disruption. Current regulations in Chile and New Zealand include standards for the performance of these components, but the effectiveness of these provisions must be reviewed with urgency.

Hugh Cowan says that the quake highlights the need to raise awareness that partial damage to buildings will significantly influence the cost and pace of recovery.

"Our trip to Chile brought the likely consequences of a major quake in New Zealand into sharp relief. It highlights how crucial it is for us to communicate with building owners, planners and regulators about their expectations of building performance and protection. This earthquake has shown more than any before, that the consequences of non-structural damage are severe and far-reaching. A more explicit understanding is required of the benefits of reducing this damage and the potential costs of not doing so."

Honour for David Middleton

David Middleton, recently retired CEO and head of EQC for 17 years (1993-2010), was decorated in the Queen's Birthday honours for services to the Earthquake Commission. Congratulations to David - his ONZM (Officer of the New Zealand Order of Merit) is deserved acknowledgement for his years of dedication to helping New Zealand and New Zealanders recover from the effects of natural disasters.