

**MINUTES OF THE MEETING OF
 THE BOARD OF THE EARTHQUAKE COMMISSION**
 Held at Te Karo Room, Safety / via Microsoft Teams
 8.30am – 3.45pm, Wednesday 25 November 2020

Present:

Mary Jane Daly (Chair)
 Alison O’Connell
 Erica Seville
 Alastair Hercus
 Emma Dobson
 Fiona Wilson
 Scott Lewis

In attendance:

Sid Miller, Chief Executive Officer
 Tina Mitchell, Chief Strategy Officer
 Jaron Shaw, Chief Data Officer
 Sharlene Taylor, Acting Chief People Officer
 Josh Lindsay, Chief Readiness Officer
 Fraser Gardiner, Chief Financial Officer
 Dr Jo Horrocks, Chief Research & Resilience Officer
 Privacy KPMG
 Privacy, Manager Office of the CE (Secretariat)

Apologies:

Nil

The meeting was declared open at 8.30am

	AGENDA ITEMS & KEY DISCUSSION POINTS	ACTIONS REQUIRED	DUE DATE
Section 1	Board Governance		
<i>Commissioners joined the meeting at 8:30am</i>			
	Board Only		
<i>Sid Miller joined the meeting at 9.00am</i>			
	Board and CE Only		
<i>Privacy joined the meeting at 9.20am</i>			
1.1	Present and Apologies The Board: a) noted there were no apologies received.		
1.2	Interests Register / Declaration of Conflicts of Interest The Board: • noted the interests register.		
1.3	Confirmation of Board Minutes – 28 October 2020 The Board: a) approved the Board minutes from 28 October 2020 as a true and accurate record subject to the amendments discussed.		

1.4	<p>Matters Arising and Action Points</p> <p>The Board;</p> <p>a) noted the updates to the Action Points.</p>		
<i>Tina Mitchell joined the meeting at 9.30am</i>			
1.5	<p>Proactive Release of Redacted Board Minutes – September 2020</p> <p>The Board:</p> <p>a) approved the public release of the redacted Minutes for its meeting on 30 September 2020 subject to the redaction changes requested by the Board; and</p> <p>b) noted that since June 2018 when the Board Minutes began being published on the EQC website, there have been 1,223 (+21) page views, with 739 (+18) from external sources.</p>	<p>Commercially sensitive, Free and frank</p>	
1.6	<p>Health, Safety, Security and Wellbeing Report – October 2020</p> <p>The Board:</p> <p>a) noted there were five (5) Health, Safety and Security incidents reported in October 2020;</p> <p>b) noted the key risks identified during this period related to Security and Ergonomics;</p> <p>c) noted there were no Medical Treatment Injuries (MTI) during this reporting period;</p> <p>d) noted the update provided in this report on progress with delivery of the HSSW work programme; and</p> <p>e) noted the update provided in this report on the EQC COVID-19 Response.</p>		
Section 2	Strategic Priorities		
2.1	<p>Chief Executive’s Report</p> <p>The Board:</p> <p>a) noted the key focus areas outlined in the CE Report.</p>	<p>Free and frank</p>	
-	<p>Farewell to Commissioner Alison O’Connell</p> <p>The Board formally noted the contribution Alison O’Connell had made in her seven years as an EQC Commissioner and wished her well.</p>		

Fraser Gardiner and Jaron Shaw joined the meeting at 9.35am

<p>2.2</p>	<p>Transformation Update</p> <p>The Board:</p> <p>a) noted the progress that has been made over the previous month across the Transformation Portfolio as part of the attached Transformation Portfolio Dashboard;</p> <p>b) noted that the Public Inquiry is now included as a workstream within the Portfolio, with implementation activity for recommendations mapped and tracked. A separate paper is presented this month to the Board on the progress within the Public Inquiry workstream;</p> <p>c) noted the progress update on the Readiness Programme, Information and Analytics Programme (I&A), and Loss Modelling Project.</p>	<p>Board requested management review the reporting model:</p> <ul style="list-style-type: none"> • Appendices no longer required from June 2021 • Risks from the appendices to be captured in the main paper • Board to be notified when an activity moves from amber to red • Report to provide higher level oversight • Management to ensure transformation activity aligns with Public inquiry and Act changes <p>Board requested a session at the Board Strategy Day on data and PowerBI</p>
<p>2.3</p>	<p>Financial Management Information System (FMIS) Replacement</p> <p>The Board:</p> <p>a) noted that in the EQC Technology Update provided to the Board in August 2020, an overview of Management’s intention to replace the current financial system was provided at an estimated implementation cost of Commercially sensitive</p> <p>b) noted that as part of the Treasury Half Year Budget and Economic Fiscal Update (HYEFU) process in October 2020, the FMIS capital cost was increased Commercially sensitive</p> <p>c) noted that Evolutionary Systems Pty LTD (EvoSys) have been selected as the preferred vendor following the procurement phase of the project, and the contract is being Commercially sensitive as the selected solution;</p>	

<p>d) noted that up to the completion of the procurement phase ^{Commercially sensitive} will have been spent;</p> <p>e) noted that implementation costs are forecast at ^{Commercially sensitive, Negotiations} project delivery costs;</p> <p>f) noted that licensing and support costs over the 6 years post implementation are expected to be ^{Commercially sensitive, Negotiations}</p> <p>g) noted that the supplier whole of life costs for implementation and support are therefore expected ^{Commercially sensitive Negotiations} subject to final commercial negotiations;</p> <p>h) noted that current FMIS support costs average \$732k per annum. The new system therefore delivers a saving ^{Commercially sensitive, Negotiations} in licensing and support costs, ^{Commercially sensitive, Negotiations}</p> <p>i) approved the progression to delivery of the selected ^{Commercially sensitive, Negotiations}</p> <p>j) approved the delegation of financial authority of up to ^{Commercially sensitive, Negotiations} once negotiations have been finalised; and</p> <p>k) approved the delegation of approval of the FMIS Business case to the Transformation Steering Group (TSG).</p>		
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Fraser Gardiner and Jaron Shaw left the meeting at 10.30am

Privacy ^{Commercially sensitive} joined the meeting at 10.30am

<p>2.4 Implementation of the Public Inquiry recommendations</p>	<p>The Board:</p>	<p>a) noted the programme of work in place for EQC to progress the recommendations of the Public Inquiry;</p> <p>b) noted the detailed breakdown of recommendations by owner and the update on activities underway;</p>	<p>Legally privileged ^{Commercially sensitive}</p>	
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	<p>c) noted independent assurance of EQC's implementation activities is being provided by KPMG and Privacy [redacted]; and</p> <p>d) noted the Board will receive monthly updates on the Public Inquiry recommendations through Transformation Programme Reporting, of which the first report has been included this month.</p>		
<p>Privacy [redacted] left the meeting at 10.50am</p> <p>Jo Horrocks, Jaron Shaw and Fraser Gardiner joined the meeting at 11.00am</p>			
<p>2.5</p>	<p>Progress reporting on the EQC Resilience Strategy</p> <p>The Board:</p> <p>a) endorsed the proposed new reporting format for the EQC Resilience Strategy; and</p> <p>b) noted the 1, 3, and 5-year operating environment outlook, and provide any additional strategic issues for consideration.</p>	<p>'2020 EQC Research and Resilience Update' to be circulated to Commissioners and loaded in the Resource Centre</p> <p>Requested that the Resilience report clearly highlights any changes since the last report</p>	
<p>Jo Horrocks, Jaron Shaw and Fraser Gardiner left the meeting at 11.35am</p>			
<p>2.6</p>	<p>National Reference Group - updated terms of reference</p> <p>The Board:</p> <p>a) noted and provided feedback on the revised terms of reference</p> <p>b) delegated approval of the final Terms of Reference to the Chair of the Audit & Risk Committee.</p>	<p>Board requested that the terms for members be set at two years</p> <p>Board requested that the nomination for Chair of the NRG be ratified by the Board</p>	
<p>2.7</p>	<p>On-Solds Programme Update</p> <p>The Board:</p> <p>a) approved EQC management progressing discussions with Treasury on the On-Solds programme Decisions in train [redacted]</p> <p>b) noted as at 16 November 2020, 5,944 applications for the On-Sold programme have been received by EQC, with the On-Solds team focusing their effort</p>		

	and resourcing on triaging applications and communicating with applicants.		
<p>Commissioners adjourned for lunch at 12pm and attended walkthroughs for Canterbury Claims & OnSolds</p> <p>The meeting was reconvened at 12.55pm</p> <p>Sharlene Taylor joined the meeting at 12.55pm</p>			
2.8	<p>Annual Review of the EQC People Strategy</p> <p>The Board:</p> <p>a) noted that a review of the Strategy has recently been completed;</p> <p>b) noted that the review found that the Strategy continues to be a fit-for-purpose strategic framework for the people transition, culture and capability-building journey that EQC is on, toward our future operating model;</p> <p>c) noted that the People and Culture Board Committee (PCBC) reviewed the Strategy at its October 2020 meeting and determined that no material changes were required to the Strategy, other than the updating of contextual information and the current status of Strategy implementation;</p> <p>d) noted that the Strategy will be reviewed on a regular basis to ensure it is still relevant to support EQC's strategic priorities;</p> <p>e) noted that the People, Culture and Capability (PC&C) Group's Work Programme is fully aligned with delivery of the Strategy, and that significant progress has been made with implementation since the Strategy was approved;</p> <p>f) noted that the policies that support the Strategy are reviewed regularly and remain in alignment with the Strategy; and</p> <p>g) agreed that the Strategy remain unchanged at this time, other than the updates made to contextual information and implementation status, as outlined in the paper.</p>	<p>Board requested information on how people are supported to maintain professional networks or to be leaders in their field (eg lawyer, accountant, actuary)</p>	
2.9	<p>People Transition: Delivering our Future Through Our People</p>		

	<p>The Board:</p> <ul style="list-style-type: none"> a) noted the organisational design and development approach outlined in this paper, for transitioning EQC's people, their capabilities, and our culture to support delivery of our strategic priorities; b) noted the work done to date to support the transition of EQC's people to the future operating model; and c) endorsed the approach and planned programme of work to transition EQC's people for the future. 		
<p>2.10</p>	<p>Culture Definition</p> <p>The Board:</p> <ul style="list-style-type: none"> a) noted the work already in place, or recently completed, relating to our One EQC Culture programme of work; b) discussed and agreed the definition of EQC's culture; and c) endorsed the next steps, outlined in the paper, relating to this work. 	<p>Requested that 'high performance' and 'delivering good customer outcomes' be incorporated into the culture definition.</p>	
<p><i>Tina Mitchell and Sharlene Taylor left the meeting at 2.15pm</i></p>			
<p>2.11</p>	<p>Talent Management and Succession Planning Update</p> <p>The Board:</p> <ul style="list-style-type: none"> a) noted the current ELT succession and development plans; b) noted the risks associated with ELT talent and management and succession planning; c) noted the work done to date on talent management and succession planning across EQC; and d) noted the approach to talent management and succession planning that is being applied at EQC. 		
<p><i>Tina Mitchell, Josh Lindsay and Jaron Shaw joined the meeting at 2.35pm</i></p>			
<p>2.12</p>	<p>Insurer Response Model – Updated Bilateral Comparison Tables</p> <p>The Board:</p>		

	<p>a. note the framework developed by management to assess Commercially sensitive</p> <p>b. note that based on current negotiations, Commercially sensitive</p> <p>c.</p> <p>d.</p> <p>e.</p> <p>f.</p> <p>g. approved the EQC Chief Executive signing the bilateral agreements with the insurers that have signed the multi-lateral NDRA and Data Agreement, when those agreements are finalised, Commercially sensitive</p>		
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Josh Lindsay and Jaron Shaw left the meeting at 2.50pm

Fraser Gardiner joined the meeting at 2.55pm

<p>2.13</p>	<p>2021/22 Reinsurance Renewal Strategy</p> <p>The Board:</p> <p>a. noted that Management and EQC brokers Aon have been closely monitoring developments in the Commercially sensitive, Negotiations</p>	<p>Commercially sensitive, Negotiations</p>	
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	<p>b. noted that Aon estimate that the cost of securing EQC's existing capacity will Commercially sensitive, Negotiations [Redacted]</p> <p>c. noted EQC's current HYEPU provision for the 2021/22 reinsurance renewal reinsurance is [Redacted] percent of EQC's forecast annual premium income \$520 million; [<i>Commercially sensitive, Negotiations</i>]</p> <p>d. noted that we have had some initial high-level discussions with Treasury on the 2021/22 renewal and are continuing to work with officials on the development of a Crown risk appetite framework</p> <p>e. noted that an update will be provided to the Board in February 2021 should there be any material changes to the renewal objectives and budget arising either from market development in the 1 January renewals or from our further engagement with Treasury;</p> <p>f. approved a marketing objective for the 2021/22 renewal of securing the expiring 'core' capacity programme Commercially sensitive, Negotiations</p> <p>g. approved an estimated budget in the range of \$Commercially sensitive, Negotiations percent of forecast annual premium income) with Management to revert to the Board if pricing is likely to fall outside of this range;</p> <p>h. approved Commercially sensitive, Negotiations [Redacted]</p> <p>i. approved Management exploring complementary options for the commitment of capacity from alternative capital sources; and</p> <p>j. agree that any further enhancements to the EQC reinsurance programme signalled in (h) and (i) above should be managed on a specific case by case basis and subject to further Board approval before final terms are agreed.</p>		
<p>2.14</p>	<p>Annual review of policies and procedures The Board:</p>	<p>Requested that the Racial and Sexual Harassment policy be</p>	

	<p>a) noted the current policies and procedures that are scheduled for approval by either the Board or Chief Executive. These were presented as part of the Board workplan discussion in September 2020;</p> <p>b) endorsed the introduction of a Corporate Policy Framework Policy to ensure that all policies are developed, applied, monitored and reviewed consistently across, to be owned by the Chief Financial Officer;</p> <p>c) approved the administrative changes to the Prosecutions Policy as endorsed by the Audit and Risk Committee at their meeting on 3 September 2020 and agree a review date of 1 December 2021;</p> <p>d) agreed that Commissioners Alastair Hercus and Fiona Wilson would provide their views and feedback on the Information Policy and then recommend its approval to Board; and</p> <p>e) approved the administrative changes to the Disclosure of Conflict of Interest Policy and agree a review date of 1 December 2021.</p>	<p>elevated to Board approval level</p>	
	<p>Endorsements from Board workshop on 25 November 2020</p>		
<p>- EQC's Health, Safety, Security and Wellbeing Strategy The Board:</p>	<p>a) discussed the role of the People and Culture Board Committee (PCBC), which is to discuss and endorse policies for the benefit of the full Board and to support the Board in discharging its health and safety responsibilities</p> <p>b) noted that the Health, Safety, Security and Wellbeing Strategy was endorsed by the PCBC at its October 2019 meeting;</p> <p>c) noted the progress made in achieving the Strategy's Objectives for 2020, which was outlined in Appendix B;</p> <p>d) noted that an internal review of the Strategy has been undertaken to ensure that the forward Objectives and Work Programme for 2021 are fully aligned to the strategic framework;</p>	<p>Legally privileged</p> <p>Commercially sensitive</p>	

	<ul style="list-style-type: none"> e) endorsed the 2021 HSSW Objectives and Work Programme as provided in Appendix D; f) noted the HSSW work programme includes details on how the Board will meet its health and safety obligations as a PCBU (such as site visits and education sessions); g) noted the HSSW compliance activities in response to the information requested from the October 2020 Board Meeting; and h) approved the HSSW Strategy to April 2021, which was included as Appendix A. 		
	<p>Event Response Planning and Workplan overview</p> <p>The Board:</p> <ul style="list-style-type: none"> a) noted that two Event Response Plans are required (IRM and EQC in house) during the transition period and prior to of the commencement of the IRM in April 2021; b) noted the IRM governance and role of the EQC Board; c) noted the scope of the Event readiness workplan; and d) noted EQC are establishing two multi-function 'Response Rooms' in Wellington and Christchurch. 		
Section 3	Performance and Reporting		
3.1	<p>EQC Performance Report to 31 October 2020</p> <p>The Board:</p> <ul style="list-style-type: none"> a) noted that this paper accompanies the EQC's Executive Dashboard to 31 October 2020 and provides qualitative commentary on performance to supplement the quantitative information shown in the dashboard; and b) noted that the EQC's Executive Dashboard to 31 October 2020 ^{Free and frank} [REDACTED] will be published on EQC's external website by 14 December 2020. 	<p>Requested that the Claims & OnSolds walkthrough be added to the Board Workplan for each time the Board is in Christchurch</p> <p>Requested that the commentary provided in the report provide an overview and context rather than repeat what is said elsewhere in the report</p>	
Section 4	Financial and Risk		

4.1 Financial Pack October 2020

The Board:

- a) **noted** the October 2020 Financial pack;
- b) **noted** the financial pack provided a summarised view of the month's financial results;
- c) **note** the following comments on the October financial performance with variances against the HYEFU forecast approved by the Board in October 2020:
 - i. Revenue for the month was above forecast (\$0.2m), largely due to higher premiums revenue.
 - ii. Core operating costs (BAU) were below forecast for the month (\$1.5m). This is primarily due to lower consultancy spend (\$0.8m), workforce expenses (\$0.5m) and outsourced service provider costs (\$0.3m). The favourable workforce expenses is driven by lower FTE levels and spend on employee related expenses. The favourable consultancy and outsourced service provider costs are mainly due to timing of actual spend.
 - iii. Event operating costs were below forecast for the month (\$0.3m). This is driven by lower resourcing costs in Canterbury (mainly lower than expected utilisation of contractors during the month).
 - iv. The YTD variance (\$4.3m) is largely driven by higher premiums revenue (\$0.2m), lower underwriting costs (\$2.8m) and lower net expenses (\$1.3m).
 - v. Cash & Investments held at 31 October were \$210m; and
- d) **approved** a further Section 16 draw-down of Commercially sensitive, Negotiations [REDACTED]
[REDACTED], as discussed and endorsed by the Board in November 2020.

4.2	<p>Approval to appoint a panel of suppliers for the provision of Natural Disaster Claims Handling Services (Third Party Administrators)</p> <p>The Board:</p> <ul style="list-style-type: none"> a) noted that the RFQ Respondents are willing to enter into an agreement based on EQC's proposed agreement, subject to the negotiation of several operational and legal terms; b) noted that it is expected that these negotiations will be completed by mid-December, allowing new contracts to be executed before the expiry of the existing agreement term (31 December 2020); c) Legally privileged [Redacted] d) noted that the EQC negotiation team will proceed to negotiation with Gallagher Bassett, Sedgwick and McLarens to provide Natural Disaster Claims Handling Services to EQC; e) Commercially sensitive, Negotiations [Redacted] f) approved delegated authority and temporary delegated financial authority to the CE to execute the agreements prior to 24 December, following the conclusion of contract negotiations. 		
4.3	<p>Delegations Framework Update</p> <p>The Board:</p> <ul style="list-style-type: none"> a) approved the addition of the Claims Optimisation Manager role to the Claims Delegation for claims costs Commercially sensitive [Redacted] b) approved the increase of the Chief Executives whole of life contracts Financial Delegation from Commercially sensitive [Redacted] 		
Section 6	Correspondence of Interest		
	Nil.		
Commissions, Sid Miller, Tina Mitchell, Fraser Gardiner and Privacy [Redacted] left the meeting at 3.35pm			

The meeting closed at 3.35pm

The next meeting is to be held on 3 February 2020.
These minutes were approved by the Board as a true
and correct record.

3 February 2021

Mary Jane Daly
Board Chair

Date