

# Hon Grant Robertson

MP for Wellington Central

Minister of Finance

Minister for Sport and Recreation

Minister Responsible for the Earthquake Commission

Associate Minister for Arts, Culture and Heritage



26 May 2020

Hon Sir Michael Cullen KNZM  
Chair  
Earthquake Commission  
PO Box 790  
WELLINGTON 6140

Dear Sir Michael

## Update on my Expectations for EQC

Thank you for the Earthquake Commission (“EQC”) Board’s commitment and continued work to address the remaining outstanding claims relating to the Canterbury earthquake sequence and in steering the organisation so that it is better able to plan for and respond to future events.

EQC has made much progress since I was appointed as the Minister Responsible for EQC in July 2019. It has updated its readiness strategy, secured agreements with third party administrators, outsourced its core IT functions and commenced development of the information and analytics hub. In addition, EQC has continued to settle its outstanding Canterbury claims, while also acting as a settlement agent for the Southern Response over-cap claims and administering the Government’s on-sold over-cap ex-gratia policy.

Even though progress has been reported in many areas, EQC is facing a number of significant operational and organisational challenges that, if not sufficiently mitigated, could affect EQC’s ability to prepare for and respond to future significant natural hazard events in an efficient and effective way. These challenges could also impact on EQC’s ability to settle its outstanding Canterbury claims and the Southern Response claims in a timely, fair and enduring manner, as well as to effectively and efficiently administer the Government’s on-sold policy.

My Letter of Expectations for 2020/2021, sent to EQC on 4 December 2019, included the following section:

- *Monitoring, Reporting and Risk Management.* I expect the Board to actively monitor, evaluate and manage EQC’s operational and financial risks. EQC is facing a number of significant operational and organisational challenges, accordingly, the Board needs to be confident that the management and systems capability and capacity is in place to execute the Board’s overall strategy and manage the related complex financial risks. I want to be kept informed of the challenges EQC is facing, how the challenges are being managed, and of any relevant capability and capacity issues.

In light of the recent significant changes to the Board, I believe that it would be timely to emphasize the above expectation. In addition, for clarity, I expand on my expectations in this area below.

### *Executive leadership capacity*

I understand that EQC has accepted the resignations of the two Deputy Chief Executives (DCEs) and the Chief Financial Officer (CFO). It is my expectation that the Board remains confident that sufficient leadership capability and capacity is in place to effectively implement its strategies.

### *Adequacy of data, systems and analytics functionality*

Given the central role that data, systems and analysis play in the ability of EQC to function efficiently, I expect the Board to be confident that sufficient resources and oversight are in place to ensure that delivery in this area remains on schedule and aligned with its strategies.

### *Change management*

With the amount of restructuring that has, and continues, to take place, I expect the Board to monitor how this change is being managed with regard to staff morale, possible loss of institutional knowledge, the impact on service delivery and any other consequences.

### *Reliance on successful commercial negotiations*

I note that there are a number of commercial negotiations that have been ongoing for some time, including Insurer Finalisation and agency contract negotiations with private insurers. It is my expectation that the Board monitors progress of these negotiations and that the Board is confident in management's strategies and capabilities to reach commercially prudent outcomes.

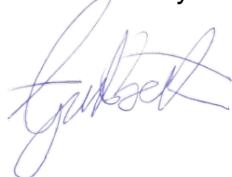
### *Insurer Finalisation*

Given the potential high cost to EQC of Insurer Finalisation settlements and the possible reinsurance implications, I believe that there could be significant public and media interest in these transactions. In addition, as Tower, IAG and Suncorp are all listed companies, they may be required to publicly disclose certain details of these transactions if they are deemed material. Accordingly, I believe that Insurer Finalisation transactions falls within the 'no surprises' policy that has been included in the Letter of Expectations. I would, therefore, expect to continue to be informed well in advance of any material or significant transactions that could be considered contentious or attract wide public interest, whether positive or negative. Early consultation on these negotiations with the Treasury will enable me to receive independent assessment and advice.

If you would like to discuss the expectations I have raised in this letter, please contact Shelley Hollingsworth (Manager – Commercial Performance) or Lars Piepke (Principal Advisor - Commercial Performance) of the Treasury in the first instance.

I thank the Board for the all work they have done to date and for their continued commitment to ensuring that EQC is well-positioned to serve New Zealanders now and in the future.

Yours sincerely



Hon Grant Robertson  
**Minister Responsible for the Earthquake Commission**