

Shareholder Expectations Letters Information Release

Release Document

October 2018

<https://treasury.govt.nz/information-and-services/guidance-state-sector/performance-strategic-intentions/strategic-issues>

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[1] 9(2)(a) – to protect the privacy of natural persons, including deceased people

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above.



MP for Wigram

Minister of Energy and Resources

Minister Responsible for the Earthquake Commission

Minister for Greater Christchurch Regeneration

Minister of Research, Science and Innovation

23 OCT 2018

Ross Butler
Chair
Southern Response Earthquake Services Limited
P O Box 9052
Tower Junction
CHRISTCHURCH 8149

CM-1-3-112-1

Dear Ross

LETTER OF EXPECTATIONS FOR 2018/2019 FOR SOUTHERN RESPONSE EARTHQUAKE SERVICES LIMITED

I am writing on behalf of the shareholding Ministers of Southern Response Earthquake Services Limited (Southern Response) to set out our expectations for Southern Response for the 2018/19 financial year.

As we signalled in our letter of 30 April 2018, this Letter of Expectations was delayed while shareholding Ministers awaited sufficient progress being made on the Greater Christchurch Claims Resolution Service (GCCRS), arrangements between the Earthquake Commission (EQC) and Southern Response, and between those entities and the GCCRS. The GCCRS is a new initiative intended to contribute to the timelier, fair and enduring resolution of remaining insurance claims and we expect Southern Response has an important role to play in this. We understand that Southern Response now has less than 500 overcap AMI policyholder claims from the Canterbury earthquake left to settle and that it is now entering a wind-down phase for this part of the business. We recognise that the company does have capacity, experience and expertise that would assist in the timely and fair settlement of other Canterbury claims that currently remain unresolved.

Our expectations for Southern Response focus on five areas:

1. achieving the company's existing purpose and objectives;
2. supporting customers through the assessment, management and settlement of their claims,
3. contributing to an integrated approach for remaining unresolved claims in Canterbury by providing effective assistance to EQC in processing claims EQC receives from customers of insurers, and to the Ministry of Business, Innovation and Employment (MBIE) to promote the success of the GCCRS;
4. advancement of eventual wind-down and legacy planning; and
5. relationship management and financial responsibilities.

Purpose and Objectives of Southern Response

The core function of Southern Response is to settle the remaining overcap claims of AMI policyholders for Canterbury earthquake damage which occurred before 5 April 2012.

We expect that the company will:

- operate a claims management business that:
 - achieves the timely resolution of all remaining customer claims,
 - fairly and consistently settles customers' claims in accordance with insurance policy obligations while communicating openly and effectively with customers,
 - is mindful of the complexity, stress and frustration that the length of the claims settlement process has on customers and staff,
 - uses efficient and cost effective processes to manage those claims, and
 - looks for flexible solutions and works proactively to reduce disputes with customers to deliver outcomes consistent with its obligations to customers;
- support EQC to identify, assess and settle unresolved AMI policyholder claims,
- manage the remaining claims in the build/repair programme to optimise quality and timely delivery while protecting the health and safety of workers in accordance with legislative responsibilities,
- comply with its contractual obligations and arrangements, including those between the company and the Crown, and
- comply with its legislative requirements as a Schedule 4A company.

Customer Centricity

In undertaking its role, Southern Response will:

- ensure the customer is at the centre of the processes, communications and systems of claim settlement,
- actively facilitate alternate approaches to support and assist customers to reach resolutions,
- be transparent by providing customers access to technical information the company holds and providing updates on the claims management pathway,
- be available to meet with customers face-to-face and have collaborative discussions on the progression and resolution of claims issues, and
- actively engage with external agencies which may be able to support customers through their settlement decisions.

Contribution to an integrated claims management model and the Greater Christchurch Claims Resolution Service (GCCRS)

Cabinet has agreed that Southern Response's mandate be extended to include:

- assisting EQC in the processing of certain claims EQC receives from customers prior to any determination as to whether they are overcap claims and potentially including claims by customers of insurers other than Southern Response,
- assisting the unit of MBIE which will provide claims support services to Southern Response customers participating in the GCCRS in a manner which contributes to the more timely, fair and enduring resolution of the claims of those customers; and reimbursing the costs of that unit to the extent agreed by way of a Memorandum of Understanding between the company, EQC and MBIE.

Treasury officials are engaging with the company to prepare the documentation shareholding Ministers require to extend the company's mandate and associated funding arrangements.

We expect the company to continue to work effectively and efficiently with officials to complete this process as soon as is practically possible. In the meantime, we ask that you continue your involvement in the development and implementation of claims processing arrangements with EQC and to continue your participation in the case management service to the fullest extent you legitimately can.

Resourcing, funding and legacy planning

We expect the company will regularly review the adequacy of:

- its own resources in the management of outstanding AMI claims from policyholders and in the performance of its role in the GCCRS; and
- its funding requirements through the Crown Support Deed.

We expect that the company will also ensure compliance with its obligations under all Crown support arrangements that have been made available to the company.

We further expect that the company will:

- continue to manage its resources in a manner consistent with the business run-off model; and
- further advance legacy planning for the post operation period, noting however that the company's role in the GCCRS means that the winding down of the company's operations is likely to be postponed.

In working on legacy planning, it is expected that the company will identify any physical and intangible assets (including intellectual property), residual rights, obligations and liabilities, and data holdings that might be transferred to other Crown agencies and (as and when appropriate) engage with those agencies to ensure an effective transfer mechanism.

Other shareholders' expectations

Relationship with shareholding Ministers

We expect that Southern Response will operate in accordance with the relevant expectations set out in the Treasury's Owner's Expectations Manual, particularly with regard to operating in a financially responsible manner, the "no surprises" policy, and Official Information Act requests. We also expect Southern Response to work with the Treasury so that officials can appropriately advise Ministers.

Relationships with other organisations

We expect Southern Response to work proactively, openly and cooperatively with key stakeholders as appropriate, including:

- EQC
- MBIE
- GCCRS and the technical and advisory bodies associated with GCCRS
- Crown Law

Financial responsibility

Shareholding Ministers expect that Southern Response will operate in a financially responsible manner, and in accordance with the financial responsibility provisions of the Crown Entities

Act. In addition, we expect the company to review its operating structure and associated budget annually. We expect that you will be open, proactive, and cooperate with the Treasury, who will be monitoring the company's commercial and financial performance.

We expect that Southern Response will manage its business and associated risks consistent with minimising the net cost to the Crown of running off the existing claims portfolio. The company will manage its liquidity in accordance with the investment management policy including reporting actual and forecast shortfalls in a timely manner as required by the Crown support arrangements.

Shareholding Ministers expect the Board to set tight but realistic operating budgets and manage within those budgets. Any risk to forecast performance and full run down should be quantified and communicated to the Treasury as soon as possible.

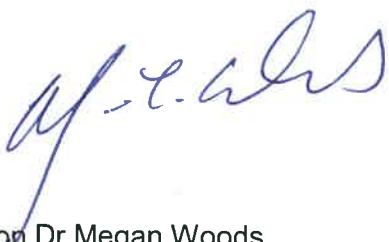
Southern Response is expected to achieve a positive audit report for its management, financial and service performance, information systems and controls.

Next Steps

We expect you to engage with the Treasury and other relevant government agencies both as you develop your planning documents (business planning document requirements are detailed in Annex 1) and on an ongoing basis. We expect your planning documents to be progressed as soon as practicable. Given this, if you wish to respond to this Letter of Expectations with a strategic issues letter, we ask that this occur concurrently with the development of your planning documents.

Your Treasury relationship managers will be in contact shortly after you receive this letter to discuss Ministers' expectations in more detail. If you have any questions please contact David Stanley (on [1]) or Alex Ng (on [1]).

Warm regards

A handwritten signature in blue ink, appearing to read 'M. Woods', is written over a faint circular watermark.

Hon Dr Megan Woods
Minister for Greater Christchurch Regeneration
On behalf of shareholding Ministers

cc Anthony Honeybone, Chief Executive, Southern Response Earthquake Services Limited

Annex 1 – Business planning documents

Southern Response is required to prepare the following business planning/accountability documents:

1. Statement of Intent (SOI, at least every 3 years).
2. Statement of Performance Expectations (SPE, annually).
3. Business plan (annually).

Under the Crown Entities Act, an SOI is solely about strategy and must cover a minimum of four years. These documents are to be updated at least every three years, or more frequently to ensure currency and accuracy of the latest published document.

As you are aware, the final SOI and SPE are public documents, but the business plan is confidential.

All wholly owned subsidiaries of the Crown operating as Schedule 4A companies are expected to provide shareholding Ministers with a draft SOI (if required), SPE and business plan consistent with shareholding Ministers' expectations as detailed in this letter.

We expect Southern Response to consult with the Treasury on its strategic and operational priorities, and performance measures and targets and to provide shareholding Ministers with a draft SOI (if required) and SPE as soon as practicable so that these documents can be finalised and made publicly available.

Further guidance can be found on the Treasury website in the section on Guidance for Strategic Intentions.

<http://www.treasury.govt.nz/publications/guidance/strategy>