

The Treasury

Material Provided to the Public Inquiry into EQC Information Release

August 2021

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- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
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- [31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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Treasury Report: 2016/17 Earthquake Commission Letter of Expectations

| | | | |
|--------------|---------------|---------------------|-------------|
| Date: | 14 March 2016 | Report No: | T2016/403 |
| | | File Number: | CM-1-3-15-2 |

Action Sought

| | Action Sought | Deadline |
|--|---|------------------------|
| Minister of Finance (Hon Bill English) | For your information | None |
| Minister Responsible for the Earthquake Commission (Hon Gerry Brownlee) | Agree to the recommendations Sign the attached expectations letter for the Earthquake Commission | As soon as practicable |

Contact for Telephone Discussion (if required)

| Name | Position | Telephone | 1st Contact |
|---------------|---------------------------------------|------------------|--------------------|
| Aaron Gill | Senior Advisor, Commercial Operations | [39] | ✓ |
| Angela Graham | Manager, Commercial Operations | [39] | [23] |

Actions for the Minister's Office Staff

Once **signed**, send the letter to the Earthquake Commission and **return** the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (attached)

Treasury Report: 2016/17 Earthquake Commission Letter of Expectations

Purpose of the Report

1. This report provides the Responsible Minister for the Earthquake Commission (EQC) with the final 2016/17 letter of expectations. Should the Minister agree, the letter is to be signed and sent to Sir Maarten Wevers, Chair of EQC.

Background – Business planning process

2. Expectations letters commence the annual business planning round and provide an opportunity for the Responsible Minister to influence EQC’s strategy and the content of its Statement of Performance Expectations (SPE) and Statement of Intent (SOI). The SPE and SOI are two of the key documents for holding boards accountable for performance.
3. Typically the letter of expectations include specific expectations, generic expectations for the whole portfolio and specific dates relevant for the business planning process. The expected timetable for the 2016/17 business planning round is:

| Due Date | Key Action |
|-----------------------------------|--|
| 1 May 2016 | Board submits Draft SPE, SOI and business plan |
| 30 June 2016 | Board delivers final SPE, SOI and business plan to shareholding Ministers |
| Within 12 sitting days of receipt | Ministers present SPE and SOI to House of Representatives |

2016/17 Expectations

4. This year’s letter of expectations is similar to prior years which emphasise achieving a high level of performance in claim settlements and moving towards the completion of Canterbury claims. However, this year greater emphasis has been given to the completion of claims. For instance the letter includes the following comments:
 - “My expectation is that EQC’s dwelling related customer settlement work, excluding any on-going remedial repairs, will be completed in 2016, recognising that there may still be a small number of settlements outstanding due to dispute. This is a most reasonable expectation given the duration of the event.”
 - “Given a robust settlement methodology is now established [land claims], I expect that the majority of land settlements will be completed in the coming year”
5. In addition, this year, greater emphasis has also been given to the operational wind-down in Canterbury.

Recommended Action

We recommend that you **sign** and send the attached 2016/17 letter of expectations addressed to Sir Maarten Wevers, Chair of the Earthquake Commission.

Agree/disagree

Minister Responsible for the Earthquake Commission

Angela Graham

Manager, Commercial Advice

Hon Gerry Brownlee

Minister Responsible for the Earthquake Commission

Sir Maarten Wevers
The Earthquake Commission
PO Box 311
WELLINGTON 6140

Dear Sir Maarten

I am writing to set out my expectations for the Earthquake Commission (EQC) in the 2016/17 financial year and to outline the business planning timetable.

The Government remains committed to rebuilding Canterbury and I would like to commend EQC for its efforts in this area. I have confidence in EQC's performance for the coming financial year and acknowledge the operating environment can be complex and challenging.

The timetable for this year's business planning process can be found in Annex 1.

Completing claims settlements in Canterbury

I expect EQC to achieve a high level of performance in claim settlements, meeting its Statement of Performance Expectations (SPE) targets, as you move rapidly towards the completion of all Canterbury claims. As outlined in previous Expectations Letters, I continue to see the focus on performance falling into two main areas: value for money and timeliness.

This should include meeting your obligations under the Earthquake Commission Act 1993 (the EQC Act) in the most cost effective way, taking into account quality standards and additional tasks the Government has set for EQC. My expectation is that EQC's dwelling related customer settlement work, excluding any on-going remedial repairs, will be completed in 2016, recognising that there may still be a small number of settlements outstanding due to dispute. This is a most reasonable expectation given the duration of the event.

Land Claims

I wish to acknowledge the challenges you have faced with respect to settling land claims for increased flood vulnerability and increased liquefaction vulnerability. This is particularly the case for liquefaction where there is no international precedent.

I appreciate the steps that EQC has taken to develop a robust settlement methodology which has included seeking Declaratory Judgments from the High Court and international peer review of the loss assessment and settlement methodology. Given a robust settlement methodology is now established, I expect that the majority of land settlements will be completed in the coming year.

Operational wind-down in Canterbury

I recognise that there are still a number of tasks, both customer-facing and non-customer facing for EQC to do in order to complete its Canterbury response. As these specific tasks are completed over the coming year, I expect you to be executing your Canterbury operational wind-down strategy in a timely and efficient manner. The Board should ensure all residual tasks required to complete EQC's Canterbury response will be clearly specified with clear resource and timeframes for completion.

In addition to this, the lessons learnt from the Canterbury earthquakes need to be incorporated into the development of EQC's current and future operating models to ensure New Zealand is in the best possible position to respond to natural disaster events. I recognise that aspects of the EQC led Land Damage Assessment Programme have been useful for assessing damage recently caused by Cyclone Winston in Fiji.

Government's fiscal priorities

As you know, EQC's insurance claims liability is relatively large and uncertain. Movements in the liability have an impact on the Crown's financial position and performance. I would appreciate your continued efforts to communicate any emerging movement on the liability to officials.

As you near the completion of your work in Canterbury, how and where the final costs are borne between parties will need to be determined. I expect you to work with The Treasury and other relevant agencies to ensure the Crown's risk appetite is appropriately reflected in any decisions.

Risk management

I expect the Board to continue actively managing operational and financial risks. I am particularly interested in risks around the claims settlement process, dispute resolution, and the insurance and reinsurance markets, and the operational wind-down in Canterbury being well managed.

Monitoring

I expect the Board to continue monitoring its performance against SPE targets on a regular basis and reporting to me on a monthly basis. I understand The Treasury are working constructively with you in their monitoring role and I appreciate your continued efforts in this area.

Your reporting should continue to enable me to judge how EQC's performance is tracking over time, including what challenges EQC is facing and how EQC are working to overcome them.

Coordination towards the Christchurch recovery

It is important that EQC continues to engage effectively with other Crown entities and insurers in relation to the wider response to the Canterbury earthquakes. I see the focus of coordination being on outcomes around claim settlements, dispute resolution and, in particular, vulnerable customers and in the final allocation of costs between the parties.

Statement of Intent (SOI)

I understand the Board have recently adopted a refreshed strategy as well as key operational focus areas for EQC and the Board wish to amend the EQC Statement of Intent (SOI) under section 148(1) of the Crown Entities Act to reflect these changes.

I would appreciate receiving an amended SOI by 1 May 2016 so that a revised final SOI can be in place on or prior to the start of the 2016/17 financial year.

It is likely that an updated EQC Act and the completion of EQC's Canterbury work will result in a significant change in EQC's operating environment in the near term. I expect a new SOI to be developed for EQC at this time.

EQC Act Review

Finally, I would like to acknowledge your ongoing contribution to the EQC Act review. I look forward to further engagement as the review is progressed.

Once again, thank you for your hard work to date.

Yours sincerely

Hon Gerry Brownlee
Minister Responsible for the Earthquake Commission

Annex 1

Timeline

Below are the key business planning dates for Crown Entities.

Key upcoming dates for 2016/17

| <i>Due date</i> | <i>Key Action</i> |
|-----------------|--|
| 1 May | Board submits draft SOI (where required) and SPE to Minister |
| 30 June | Board delivers final SOI (where required), SPE to Minister |

The responsible Minister should be alerted as soon as possible if any of these deadlines cannot be met.

Further guidance can be found in the Owner's Expectations Manual, via the Treasury Commercial Operations website below.

<http://www.treasury.govt.nz/statesector/commercial/guidance/owners-expectations-manual>