



# Independent Oversight Committee

## Independent Oversight Committee information release

May 2022

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# Independent Oversight Committee Update for Policyholders April 2022

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The Independent Oversight Committee provides independent oversight of the implementation and delivery of the Southern Response Earthquake Services Limited Pre-October 2014 Payment Package

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## A. Introduction

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On 14 December 2020, the Government announced it had approved a package (the Package) to be offered to eligible policyholders who cash settled their earthquake insurance claims with Southern Response Earthquake Services Limited prior to October 2014. The Package is intended to put affected policyholders who cash settled before October 2014 effectively in the same position as those who settled after that date, by paying additional allowances.

The Package payments to eligible policyholders may include certain professional fees, contingency allowances, interest and a contribution to legal fees. The Package's implementation and delivery is being overseen by an Independent Oversight Committee (the IOC). Our mandate is to provide independent oversight, make recommendations to the board of directors of Southern Response and report significant issues to the Crown, taking into account the interests of affected policyholders.

The IOC has four members: Fiona Mules, Nina Khouri, Sandra Manderson, and our chair, David Ayers. You can find more information about us on the [IOC home page](#).

Under our Terms of Reference (which can be found [here](#)) we can issue public statements or reports from time to time to policyholders to whom the Package is available. (We do not communicate directly or privately with individual policyholders.) Given that we have been active in our role for a year, and that significant progress has occurred recently, we thought it timely to communicate with affected policyholders. This is our first report to policyholders.

## B. Our role

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The IOC was formed after the Crown and Southern Response agreed the terms of the Package. We were not involved in negotiating those terms and it is not our role to renegotiate them. We are here to ensure that the Package is implemented and delivered in accordance with the agreed principles and processes and in a way that is consistent and fair to policyholders.

We provide independent oversight and make recommendations to Southern Response in relation to the implementation and delivery of the Package. We hold monthly meetings where Southern Response management provide detailed updates on all aspects of Package implementation and delivery. Southern Response management report to us on:

- legal issues relating to the Package and litigation involving the Company;
- the process for and progress with identifying contact information for the thousands of policyholders who may be eligible for the Package;
- communication with policyholders;
- processes and systems for the resolution of applications;
- a Package Review Process for Policyholders who wish to request a review of their Package offers;
- human resourcing and recruitment of staff;
- reviews and audits of internal processes and systems;
- progress on applications received and settled; and
- any other issues affecting implementation or delivery of the Package in any way.

You can find further details about our meetings in the meeting Minutes which are available from the [IOC home page](#).

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We also report in writing every two months to both the Crown and the Southern Response Board detailing our recommendations and the work that has been completed. Our reports to the Crown are available from the [IOC home page](#). These reports, together with our monthly meeting Minutes, will continue to be posted on this webpage as they are completed and prepared for proactive release.

Although it is not intended that the IOC communicate directly or privately with individual policyholders, we occasionally receive communication from policyholders, or their representatives, and we do welcome information and inquiry from all sources. We respond in line with our Terms of Reference and our agreed [Communications Policy](#). This involves advising the policyholder that we are unable to communicate with them directly but letting them know that we will consider the matters raised by them at our next meeting. We then discuss the correspondence at our next meeting and, if appropriate, raise the issue with Southern Response management and/or the Crown.

### C. Our work

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We have spent much of the past year reviewing the processes, procedures and systems created by Southern Response to process applications under the Package and establishing communication and governance procedures. Due to High Court orders in the *Ross v Southern Response Earthquake Services Ltd* class action, Southern Response was unable to directly contact affected policyholders about the Package until late 2021. However, Southern Response was able to pre-emptively retrieve and scan many insurance claim files in anticipation of Package applications being made. Southern Response also used this time as an opportunity to test, audit and improve Package systems and processes before Package applications were received in large numbers. As a result, the IOC was also able to assess and monitor Package processes and make recommendations to Southern Response throughout 2021.

Large numbers of Package applications are now coming into Southern Response due in part to the discontinuance of the *Ross* class action. We are pleased to see that so many policyholders have been identified, contacted, and have now made applications under the Package.

Our work is now focused on supervising the active implementation and delivery of the Package. This includes reviewing all processes and decision-making relating to the implementation and delivery of the Package and advising on these matters. We particularly focus on issues from a policyholder perspective as required by our Terms of Reference.

Over the past year, we have considered, investigated, and/or given Southern Response advice and recommendations on such matters as:

- key performance indicators against which the IOC will measure Southern Response's implementation and delivery of the Package;
- allowances for professional fees (an issue that was raised by Policyholders in relation to the Package);
- procedures and documentation for executing settlements of both over-cap and "out of scope only" applications;<sup>1</sup>
- establishing business processes and timelines for Package applications in relation to "out of scope only" settlements;

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<sup>1</sup> An "out of scope only" claim is a claim made under the AMI policy for earthquake damage to property items 'outside the scope' of the Earthquake Commission Act 1993 but covered under the wider definition of "house" in the AMI policy (which includes, for example, garages, fences, driveways, paths and swimming pools).

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- similar compensation and settlement processes in New Zealand and overseas to establish best practice guidelines;
- the full documentation of Package procedures and processes;
- additional internal audit reviews of specific Package procedures and processes;
- the creation of additional automated controls in relation to payment calculations;
- the Package Review Process, a process for policyholders who wish to request reviews of their Package calculations;
- practices in relation to deregistered company policyholders;
- the provision of appropriate segregation of duties, delegated approval authorities and quality control checks and balances throughout the process; and
- key person risk mitigation.

We acknowledge the cooperation of Southern Response and its legal advisers in assisting us to carry out our oversight role to date. Our objective is that policyholder applications under the Package are dealt with in a timely, fair and consistent manner and that policyholders receive the payments they are entitled to under the Package.

### D. Next steps

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On 16 December 2021 the High Court granted leave for the *Ross v Southern Response* class action to be discontinued subject to certain ongoing reporting requirements (that include filing the IOC's reports to both the Crown and to the Southern Response Board in the High Court). The formal notice of discontinuance was filed on 5 January 2022.

Southern Response is now processing a large number of policyholder applications under the Package. We are independently overseeing that work and will report regularly to the Crown and the Board of Southern Response, and publicly to policyholders from time to time in line with our Terms of Reference.

Signed by

Committee Chair, David Ayers

Date: 14 April 2022

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