
Southern Response Earthquake Services Limited Statement of Intent

For Financial Years 2023 to 2027

INTRODUCTION

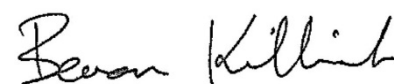
This Statement of Intent (SOI) is submitted by the Board of Directors of Southern Response Earthquake Services Limited ('Southern Response' or the 'Company'), pursuant to the Crown Entities Act 2004. It sets out the strategic objectives for Southern Response and how Southern Response will achieve those objectives for the period 1 July 2022 to 30 June 2027. This SOI supersedes the SOI dated 11 June 2021.



Alister James

Chair

27 May 2022



Bevan Killick

Director

STRATEGIC OBJECTIVES

The Company's purpose from 5 April 2012 has been to operate as a run-off insurer in relation to Covered Claims, with the intention to operate its business consistent with normal commercial and financially prudent principles. It has not and will not take on any new insurance underwriting business, except to the extent that it has been ancillary to its claims management business.

With the outsourcing of its claims management activities to the Earthquake Commission (the EQC) at the end of 2019, the Company utilises its residual resources to support EQC to succeed in delivering, on behalf of the Company, fair and enduring settlements for Cantabrians that are yet to resolve their earthquake claims.

In addition to this, in December 2020, the Government announced that the Company would be responsible for the implementation of a package for eligible policyholders who cash settled with the Company prior to October 2014 (the 'Package').

Following the discontinuance of the *Ross* representative class action in December 2021, the Company is now able to directly engage with policyholders to settle Package related claims.

As a Crown-owned entity, the Company will continue to ensure its ongoing governance, finance and legal obligations are met. Acknowledging EQC's role under the Agency Agreement¹, key decision-making regarding claims settlements will still remain with the Company.

The Company will maintain a focus on delivering a customer centric approach for the settlement of outstanding claims and Package payments. This includes the utilisation of third parties, such as the Greater Christchurch Claims Resolution Service (GCCRS), and the identification of flexible solutions to assist customers through to the settlement of their claims and to reduce disputes.

BUSINESS AND SCOPE

Business

Southern Response (formerly AMI Insurance Limited) became a Crown-owned Company on 5 April 2012. It was named in Schedule 4A of the Public Finance Act, following the sale of its non-earthquake related business to IAG (NZ) Holdings Limited.

Scope

The Company is responsible for Covered Claims, which are defined as:

- a) Any Retained Claim – any claim made by or on behalf of a policyholder under any customer insurance contract relating to any Retained Claim Event, irrespective of whether the claim is made prior to, on or after 5 April 2012.

Retained Claim Event means the Canterbury earthquake events recognised by EQC as occurring from 4 September 2010 through 9 October 2011; and any other event that occurred prior to, or was continuing in progress, as at 5 April 2012 which entitles Southern Response to make a reinsurance claim

¹ The Amended and Restated Agreement Relating to Management of Outstanding Canterbury Earthquake Claims (EQC and Southern Response)

BUSINESS AND SCOPE (continued)

b) Any other claim for which the Company is or may be liable pursuant to Clause 13 of the IAG Sale Agreement (relating to customer insurance contract indemnities and retained claims not clear at 5 April 2012 – essentially claims for which AMI was entitled to make a reinsurance claim and which are being managed on its behalf by IAG).²

c) Any claim arising in respect of any Covered Insurance Contract.

Covered Insurance Contract means any contract works or similar insurance policy under which Southern Response is or may be liable from time to time; and any other insurance policy under which Southern Response may be liable from time to time and which has been approved by the Crown (either individually or as a class of insurance business).

Risk Appetite and Management

The activities of the Company, the Package Unit, and its monitoring of EQC as its agent are undertaken under robust processes, using sound judgement and effective communication. The Company maintains a regularly updated register of strategic and operational risks, managing these risks through an agreed process, and with oversight from both the Chief Executive and the Board. The delivery of the Package is also monitored by an Independent Oversight Committee.

GOVERNANCE

The Company manages its functions and operations in a way that is consistent with its strategy, as set by the Board. The Board provides strategic direction to the Chief Executive to ensure decisions are made that are consistent with the Company's strategic objectives.

The Board provides governance and the assurance that the Chief Executive is delivering the expected outputs both to assist EQC and ensure the Company continues to meet its ongoing obligations as a Crown-Owned Company. The Chief Executive has contracted the resource necessary to deliver the day-to-day operational activities of the Company that will meet the overall strategic objectives.

In respect of the Package delivery, the Company retains overall decision making responsibility and its implementation is overseen by an Independent Oversight Committee that has been appointed by the Crown. The purposes of the Committee are to provide independent oversight, make recommendations to the Board and report significant issues to the Crown. The delivery of the Package is also under the supervisory function of the High Court.

OPERATIONS AND FORECASTS

Operations

The Company's current operations are made up of the following components:

- delivering the Package;
- supporting the outsourced claims management to EQC; and
- meeting the Company's other ongoing obligations as a company and a Crown entity.

² Note that work on claims that meet this specific definition has not been required for a number of years.

OPERATIONS AND FORECASTS (continued)

The Company employs a team of fixed term employees for the Package delivery and a small number of personnel to oversee the wind-down of the Company's operations.

Contracted resource provides the Company with access to capability in the following areas:

- Legal services
- Financial services
- Governance support
- Claims advice (both policy and technical)
- IT services
- Reporting
- Communications
- Project Management

Each of the above services is provided to the Company on an as needed basis, with the ability for the Company to expand and contract the need for such services as the Company's needs change. All services are intended to ensure that the Company can achieve its strategic objectives.

The Company's activities are guided by policies and procedures that ascribe to good corporate discipline, with clear links to the Company's purpose and strategic objectives.

Package forecasts

The Package announced by the Government is intended to provide eligible policyholders with an option to access additional sums of money in relation to certain professional fees, unpaid contingencies, interest and a contribution to legal fees for those claims that cash settled prior to October 2014.

At the time the Package was announced, proceedings in the *Ross* representative class action restricted the Company's ability to engage with eligible policyholders. Following the discontinuance of the *Ross* representative class action towards the end of the 2021 calendar year, the Company was able to start communicating directly with customers and processing Package payments for eligible policyholders.

There are approximately 2,700 overcap³ and 7,500 out-of-scope only⁴ claims that could be eligible for a Package payment.

Delivery of the majority of the overcap related Package claims are expected to have been completed by the end of the 2023 financial year with the majority of remaining claims completed by the end of the 2024 financial year.

Earthquake run-off claim forecasts

The Company has settled over 49,300 Covered Claims in its lifetime.

³ EQC insures the first \$100,000 + GST (\$115,000) of damage to a house (the "cap") for each earthquake event, EQC pays its contribution for each event and the private insurance company takes over responsibility for managing and settling the claim and paying the amount in excess of the cap that is "overcap".

⁴ An "out of scope" 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, drive ways, paths and swimming pools).

OPERATIONS AND FORECASTS (continued)

As at 31 March 2022, the Company remained liable for a total of 173 open overcap claims. In addition to this, the Company remained liable for a number of other Covered Claims (e.g. temporary accommodation, contents, out of scope, and post settlement claims).

Since January 2020, 644 Covered Claims have been settled, however, 576 new claims have been opened. The Company continues to receive new overcap claims from EQC and there remains significant uncertainty as to how many new claims will still be received by the Company in the future. Claim forecasts indicate that the Company can expect the rate of new claims entering the business to continue to reduce over the next two to three years.

The Company remains responsible for the settlement of these claims and will continue to ensure it has the appropriate capacity and capability, including managing litigation and any warranty matters arising from the Company's construction programme. This will be done through its contracting arrangements.

ORGANISATIONAL HEALTH AND CAPABILITY

Southern Response's Values and Behaviours

The Company has a set of core values that define its accepted standards and behaviours. These defines the Company, including the way we work together, with customers, with the Board, personnel, EQC, contractors, communities and stakeholders.

- **Respect** – we treat all our stakeholders with care, consideration, fairness and equity
- **Integrity** – we demonstrate honesty, transparency, fairness, and objectivity in all our interactions
- **Honour our promises** – we stand by and deliver on all entitlements, rights and commitments AMI has made to policyholders
- **Ownership** – we hold ourselves accountable for our actions, take ownership, and deliver on our promises
- **Passion** – we strive, stand up for our customers' rights, and go the extra distance. We want to make a positive difference to people's lives as part of our contribution to the rebuild of Canterbury
- **Excellence** – we are committed to excellence in everything we do. We are innovative, responsive, adaptive and continually raising the bar. We strive to set the standard against which others will be measured
- **Recognition** – we recognise and celebrate the contributions our people make as individuals and as teams to deliver on our goals
- **Development** – we professionally develop our people to provide challenging and rewarding employment and prospects.

Health and Safety and Wellbeing

The Company is committed to ensuring all of its personnel and contractors have a safe and healthy working environment. The Company is also committed to the wellbeing of its personnel.

**ORGANISATIONAL
HEALTH AND
CAPABILITY
(continued)**

Covid-19 Pandemic

The Company has responded throughout the Covid-19 pandemic with a focus on its people and minimal business disruption. Alternative ways of working have been available to all personnel and their health, safety and wellbeing prioritised. The Company has incorporated learnings into its operations to ensure it is well prepared for any future disruptions of a similar nature.

Public Services Commission Code of Conduct

As a Crown-owned entity, the Company complies with the standards of integrity and conduct under the Code of Conduct issued by the Public Services Commission.

Capability Development

The Company is committed to achieving its strategic objectives and purpose by:

- Regularly reviewing the capability of its resourcing to align the available skills with the requirements of the Company in its life-cycle;
- Delivering services required to achieve the Company's strategic objectives in a manner consistent with normal commercial and financially prudent principles;
- Providing personnel and contracted resource with reliable, secure and cost-effective technology; and
- Providing a sound financial and internal control environment.

Southern Response as a Good Employer

Southern Response still adheres to its obligations in the Crown Entities Act as a Good Employer.

The Company remains committed to being an equal opportunities employer.

**ASSESSMENT OF
PERFORMANCE**

The Company will assess its performance by setting performance targets for the Company's activities. These will be measured as milestones and KPIs as set out in the Statement of Performance Expectations.

**OTHER STATUTORY
REPORTING
REQUIREMENTS**

Governance

Organisation Form

Incorporated under the Companies Act 1993, Southern Response is a Crown-owned company listed under Schedule 4A of the Public Finance Act 1989, and subject to the Crown Entities Act 2004, the Official Information Act 1982 and the Ombudsmen Act 1975.

Its shareholders are the Minister of Finance and the Minister Responsible for the Earthquake Commission, who each hold 50% of the share capital.

**OTHER STATUTORY
REPORTING
REQUIREMENTS
(continued)**

Board of Directors

The Board of Directors is committed to a high standard of corporate governance and regulatory compliance in guiding and monitoring the Company's activities. The Board currently comprises four non-executive Directors appointed by the Shareholding Ministers, following Cabinet approval. Under the Company's Constitution there must be no fewer than three and no more than seven Directors.

The Board has one sub-committee, the Audit and Risk Committee, to help Directors carry out their duties and fulfil their responsibilities. It provides recommendations, counsel and information on accounting, reporting, risk management and responsibilities under legislation. The Committee's Terms of Reference also cover the role of oversight of internal audit.

As a company under Schedule 4A of the Public Finance Act 1989, there are additional legal obligations for the Company Directors to satisfy in addition to those specified by the Companies Act.

The Chief Executive, who is accountable to the Board, has responsibility for the management, operation and administration of the Company. The Company has in place a suite of policies that underpin its purpose and strategic objectives and mandate, and which provide a link to day-to-day Company operations.

Shareholding Ministers

The Company maintains regular liaison with key officials and engages with shareholding Ministers, as required. The Company is open and transparent, and cooperates with the Treasury, that monitors the Company's commercial and financial performance.

The Company operates in accordance with the relevant expectations set out in The Treasury's Owner's Expectations Manual, particularly regarding operating in a financially responsible manner, following the 'no surprises' policy, adhering to thresholds requiring ministerial consultation and in responding to Official Information Act requests.

The Constitution of the Company also requires that the shareholding Ministers must approve all major transactions in accordance with section 129 of the Companies Act 1993.

Crown Entities Act Requirements

The Company is subject to various sections of the Crown Entities Act, as set out in its Constitution, including the collective duties of the Board to the Crown and shareholding Ministers, Crown entity subsidiaries and interface with the Companies Act 1993. In addition, the Company must comply with directions from shareholding Ministers to support a whole of government approach or under statute. The Crown Entities Act also requires the provision of information, sets certain employment requirements, and specifies restrictions on financial products, borrowing and the giving of guarantees and indemnities.

Other Statutory Requirements

Under the Public Audit Act 2001, the Controller and Auditor General is the auditor of the Company.