
Southern Response Earthquake Services Limited Statement of Intent

For Financial Years 2020 to 2024

INTRODUCTION

This Statement of Intent (SOI) is submitted by the Board of Directors of Southern Response Earthquake Services Limited (Southern Response), 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 2019 to 30 June 2024, taking into account the updated operational model for the Company which was approved by the Shareholding Ministers in November 2019. This SOI supersedes the SOI dated 15 February 2019.



Alister James
Chair



Anne Urlwin
Director

05-03-2020

STRATEGIC OBJECTIVES

Southern Response'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, Southern Response will utilise its residual resources to support EQC to succeed in delivering fair and enduring settlements for Cantabrians that are yet to resolve their earthquake claims.

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

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

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

Southern Response 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

- b) Any other claim for which Southern Response 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).
- 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 Southern Response and its monitoring of EQC as its agent are undertaken under robust processes, using sound judgement and effective communication. Southern Response maintains a regularly updated register of strategic and operational risks, managing these risks through an agreed process, and with oversight from both the General Manager and the Board.

GOVERNANCE

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

The Board provides governance and the assurance that the General Manager 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 General Manager has contracted the resource necessary to deliver the day-to-day operational activities of the Company that will meet the overall strategic objectives.

FUNCTIONS AND OPERATIONS

In contrast to the years that the Company managed its claims operations utilising an internal and external claims handling model, outsourcing claims management to EQC has resulted in a significant reduction of personnel (to three fixed-term employees, including the General Manager). Southern Response also engages contractors as required to both support EQC and meet the Company's other ongoing obligations.

Contracted resource provides Southern Response 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

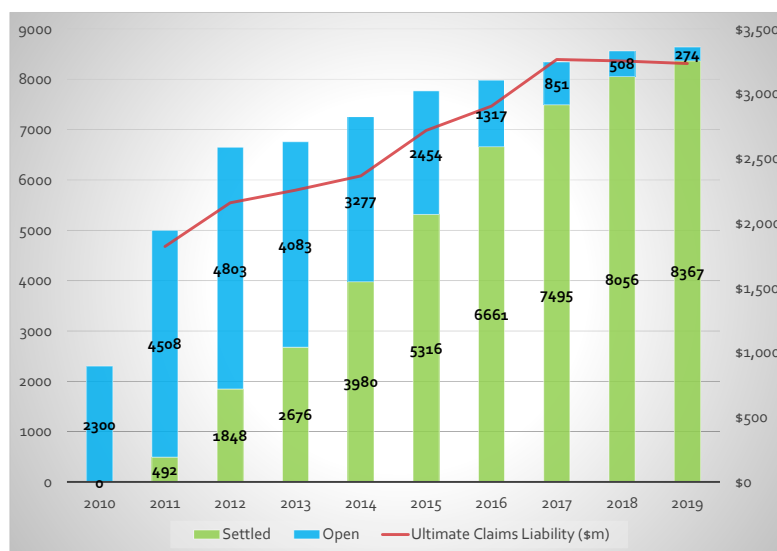
Each of the above services is provided to Southern Response on an as needed basis, with the ability for the Company to expand and contract the need for such services as the Company's needs change. All services are intended to ensure that Southern Response can achieve its strategic objectives.

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

Operations and phases of Southern Response

Southern Response has settled over 48,000 Covered Claims in its lifetime.

Southern Response's resources and claims settlement financial obligations have varied since 5th April 2012 to meet the changing forecast number of claims, particularly house claims over the \$100,000 EQC cap. The table below shows how the number of settled and open overcap claims and the total claims liability of Southern Response has changed over time.



The remaining portfolio of unresolved Covered Claims will be approximately 250 claims at the end of 2019 made up of a mixture of temporary accommodation, contents, out of scope, post settlement and overcap house claims. Southern Response 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

Southern Response has a set of core values that define the Company's accepted standards and behaviours. It defines the Company, including the way we work together, with customers, with the Board, staff, 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

Southern Response is committed to ensuring all of its staff and contractors have a safe and healthy working environment. Southern Response is also committed to the wellbeing of its staff

State Services Commission Code of Conduct

As a Crown-owned entity, Southern Response complies with the standards of integrity and conduct under the Code of Conduct issued by the State Services Commissioner.

Capability Development

Southern Response is committed to achieving the Company's 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 staff and contracted resource with reliable, secure and cost-effective technology.
- Providing a sound financial and internal control environment.

Southern Response as a Good Employer

Although the Company has down-sized significantly and has very few employees, 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, if future opportunities arise.

ASSESSMENT OF PERFORMANCE

Southern Response 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.

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 for Greater Christchurch Regeneration, who each hold 50% of the share capital.

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 three 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 the following sub-committees:

- an 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.
- a People and Safety Committee, to allow for focus on the Directors' and Company's obligations under the Health and Safety at Work Act 2015. The Committee also ensures that the board is fulfilling its obligations as an employer, together with providing a healthy and safe workplace that is also committed to the wellbeing of its staff.

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

The General Manager, who is accountable to the Board, has responsibility for the management, operation and administration of Southern Response. 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

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

Southern Response 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 Southern Response 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

Southern Response 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 Southern Response.