

Minutes of a meeting of the Board of the Accident Compensation Corporation held via teleconference, on Thursday, 26 March 2020 at 1.00 pm.

Present

Dame Paula Rebstock	Chair
Mr James Miller	Temporary Deputy Chair
Ms Anita Mazzoleni	Member
Mr David May	Member
Ms Kristy McDonald QC	Member
Dr Tracey Batten	Member
Mr John Brabazon	Member

In attendance

Mr Scott Pickering	Chief Executive
Mr Mike Tully	Chief Operating Officer
Mr John Healy	Chief Financial Officer
9(2)(a)	Senior Associate Company Secretary

1 Procedural Business

1.1 Apologies

There were no apologies received.

1.2 Register of Members' Conflicts of Interest

The Board Chair noted that she was a member of the Auckland DHB Executive Emergency Board, which would be for the remainder of the COVID-19 crisis.

CONFIRMED: The Board reviewed the Register of Members' Conflicts of Interest Arising and confirmed that it was not aware of any other matters (including matters reported to, and decisions made by, the Board at this Meeting) which would require disclosure.

2 Committee Updates

2.1 Investment Committee

Mr Miller provided an update on the Board Investment Committee

- From a governance perspective, the Committee was clear on the importance of keeping administrative matters away from the Investments team to ensure they could focus on making the right trading decisions in the current environment. The Committee deferred discussion on all administrative items on the agenda.
- The three papers approved by the Committee enabled repositioning of the fund to take advantage of risk assets and the potential for near-future capital raisings in the New Zealand market. A temporary decision on increasing the futures positions limits had been made by the Committee the previous week and was also approved.

The Board Chair thanked Management for providing the weekly financial position update and noted that the Minister no longer required a weekly briefing and would be reverting to a monthly update. The Board Chair would inform the Minister and the Minister of Finance of any major news.

3 Board / Key Exec Only Session

3.1 Chief Executive's Report

The Chief Executive's report to the Board highlighted:

- Business continuity through the move to level 4 of the COVID-19 alert system. Critical testing of ACC's six priority areas had taken place on Monday 23 March. Capacity was available for more than 4000 users, with 2700 staff active on the new remote access platform. The investments made in technology had put ACC in a great position for moving to remote working.
- The Crisis Management Team (CMT) was meeting daily, with the Chief Operating Officer taking the lead and the Chief Talent Officer as back up if required. The Board would continue to receive the daily Situation Reports from the CMT.
- Calls into the ACC call centre had been high but were manageable. ACC call lines had the appropriate IVR messaging to direct callers to the right functions of ACC and direct queries regarding COVID-19 to Ministry of Health helplines. Messaging on the continuation of payments of weekly compensation would help with queues.

- Providers were beginning to get in touch with their financial challenges, which the team were working through. ACC had made changes to processes to ensure providers could access services. Ambulance services had already indicated that more funding would be required. Abnormal provider costs outside of contract were being captured to resolve at a later date.
- Other business as usual work was continuing. Tranche 2 of Next Generation Case Management was now fully operational. Management was looking at ways to remotely complete the last part of training for Tranche 3. Tranches 4 and 5 had been deferred but would be prioritised as work returned to normal.
- From next week, the Executive would shift its focus to the end of April to begin planning for the return to normality.

COVID-19 Update

Mr Tully joined the meeting and highlighted the following:

- 443 out of 847 vulnerable clients had been contacted and additional support requirements were being actioned. All others would be contacted over the coming days. All clients had regular communication plans in place. 1,120 out of 1,431 staff in ACC's priority services now had active remote working and the technology issues for the remainder would be resolved on an individual basis as soon as possible.
- ACC was starting to see a steep drop in the number of claims registered. The February daily average was 9,536 new claims and as at Wednesday there had been 3,649 new claims. There had been a less notable change in weekly compensation volume trends – the average was 447 claims in February and that was now at 437.
- The feedback from staff on the communications received had been good, and the Executive was impressed with the staff response to the crisis.
- It had been confirmed that ACC provided an 'essential service' in the context of the nationwide move to level 4. This meant that all critical suppliers in ACC's supply chain, such as Unisys, also provided essential services, and ACC could require that they continued to provide services in accordance with usual contractual arrangements. For clarity, not all ACC functions were considered 'essential' and staff would continue to work from home.

The Board discussed the specific mental health support required for staff during this time and wellbeing tips were being sent out as part of the regular updates. If any trends began to emerge, Management would ensure urgent action.

The Board thanked the Chief Executive, Mr Tully, the rest of the Executive team and the CMT for all the hard work in response to COVID-19. The response was very thought-out and was exceptional in the circumstances.

Climate Change Update

The Chief Executive provided the Board with an update on the plan to deliver the climate change framework as planned for Board consideration at its meeting on 28 May 2020. While the current situation made the timeframe tighter, Management was still aiming to have updates at upcoming Board Investment Committees meetings and Board meetings, with a presentation of the draft framework at the 28 May Board meeting. If the Select Committee was still held in early June, ACC would be able to provide at that time an outline of the framework.

The diagrams on pages five and six of Diligent showed how ACC's Climate Change Policy was part of the wider Environmental, Social and Governance Framework and the various workstreams associated.

3.2 Governance of Corporation

The Board Chair noted that during these uncertain times it was important the Board and Management had flexibility to make the required decisions and asked for a meeting 90-minute meeting to be set up in two weeks' time for the Board to discuss any further updates.

RESOLVED: The ACC Board resolved to:

- (a) **Delegate authority** to the Board Chair, the Temporary Deputy Chair, the Chair of Risk Assurance and Audit Committee and a fourth member depending on the issue to make any urgent decisions related to COVID-19, only if the decision cannot wait for the full Board to convene.
- (b) **Delegate authority** to the Chief Executive up to \$20m for any urgent COVID-19 related expenditure, on the condition he consult with the Board Chair or the Temporary Deputy Chair first.

4 Operational Reporting

4.1(a) ICIP Reporting

RESOLVED: The ACC Board resolved to note the ICIP February 2020 Monthly Update.

4.1(b) Operational and Financial Performance Report including Claims Costs

The Board discussed the Report, noting that there should be an expectation of declining motor vehicle incident claims. Mr Healy noted that this was expected but was not included in the report due to timing.

RESOLVED: The ACC Board resolved to:

- (a) **Note** the Claims Cost performance
- (b) **Note** the Operational and Financial Performance
- (c) **Note** the additional performance information

4.2 Legal Report

RESOLVED: The ACC Board resolved to:

- (a) **Note** ^{9(2)(h)} [REDACTED]
- (b) **Note** The *Ng* case will be heard in the Court of Appeal on 24 March, and counsel have been advising ACC on the approach to evidence received from the client's lawyers. [As at 2 April, the case has been postponed. The Court of Appeal has advised that a new date will be set in due course with as much priority as circumstances allow.]
- (c) **Note** The Court of Appeal judgement in the Stafford caveat case is expected this month. ACC's legal team is preparing for the judicial review hearing in April and has advised Crown Law it would not support any letter from Ministers asking for notice to be given to Mr Stafford about any proposed land sales. [As at 2 April 2020 the caveat judgment from the Court of Appeal has not been released. Despite disruptions caused by COVID-19 it was understood that Court of Appeal judges were still working on reserved judgments so the judgment could still be imminent. The fixture dates for the Judicial Review matter of 20 to 23 April had been abandoned. The new fixture dates are not yet available.]

5 Board Papers

5.1 Service Agreement

The Board referred to its discussion on the budget.

Mr Healy highlighted in relation to the Service Agreement the proposed change to the injury prevention return on investment separating workplace injury prevention, which had an expected lower return on investment. The Board asked Mr Healy to work with the Chair of the Risk Assurance and Audit Committee and Dr Batten to provide a more granular view on the injury prevention portfolios to better understand performance of specific initiatives.

RESOLVED: The ACC Board resolved to review the first draft of the SA20/21 and provide feedback as appropriate.

5.2 Budget and Economic Fiscal Update

Mr Healy informed the Board that ACC's budget had to be submitted to Treasury in April. The Board's discussion focussed on:

- The four different scenarios presented in the paper. Mr Healy noted that Scenario D (Treasury Forecast) was the one that would be most appropriate to recommend to the Board and commented that other organisations would be similarly uncertain. The Board discussed Scenario C ('GFC size' Economic Shock), noting that the indication was that the impending situation would be worse than the GFC for New Zealand.
- The Board was clear that it did not want to be too optimistic and end up with budget targets that could not be met. For example, Scenario C might be the most likely, but there may not be the same impact on weekly compensation due to current factors – while a high level of new weekly compensation claims might not be expected, there might be less people exiting the scheme due to stronger incentives to stay on weekly compensation.
- Whether other factors further down in the organisation could be looked at. For example, motor vehicle claims were expected to decrease as a result of the lockdown, and this could be seen in petrol demand figures.
- There could no longer be an expectation that ACC would get the levy increases it was planning to seek in the coming years, or that ACC would even be able to undertake the planned levy consultation in October due to the current economic climate.

Mr Healy noted that given the time available and the current uncertainty, there was limited time to run further full scenarios or other sensitivity analysis across the budget. The Board asked Mr Healy to work with the Board Chair, the Temporary Deputy Chair, the Chair of the Risk Assurance and Audit Committee and Mr May to iterate Budget, noting that it would come back to the full Board for approval.

RESOLVED: The ACC Board resolved to note the budget will be updated for any changes required by the Board and for economic factors as at 31 March 2020. The budget is required to be submitted to Treasury by 19 April 2020.

5.3 Employer Levy Postponement

Mr Healy introduced the paper, noting the proposal to postpone sending Cover-Plus Extra invoices for a three-month period. This decision had minimal impact in terms of investment income. A further decision would come to the Board in May to propose delaying the annual levy invoices to businesses, which would have a larger impact.

The Board discussed the importance of communicating this as soon as possible to provide certainty for businesses.

ACTION: The Board asked for further background information on ACC business customer invoicing besides CPX.

RESOLVED: The ACC Board resolved to:

- (a) **Agree** to postpone for a three-month period the sending of Cover-Plus Extra invoices that are due to be released from 1 April 2020.
- (b) **Note** the intent to postpone annual invoicing, due to be sent mid July 2020, to all remaining business customers, for a three-month period. A final decision will be sought from the Board in May and will consider the status and impact of the pandemic to these customers at that time.

6 Board Administration

6.1 Minutes of Meeting held on 27 February 2020

APPROVED: The ACC Board resolved to approve the minutes of the meeting held on 27 February 2020.

6.2 Schedule of Matters Arising

RESOLVED: The ACC Board resolved to **note** the Schedule of Matters Arising.

6.3 Confirmation of Decisions Made Out of Cycle

RESOLVED: The ACC Board resolved to **note** that there were no decisions made out of cycle for the period of 23 January 2020 to 19 February 2020.

7.1 Annual Work Programme

NOTED: The ACC Board **noted** the annual work programme.

7 General Business

ACTON: The Board asked for external legal advice on ACC's ability to support health workers who may become ill with COVID-19 during the course of their work. The Board asked that this be sent to Ms McDonald QC in the first instance.

8 Board Only Session

Closure

The meeting closed at 3 pm.

Approved

Chair

Date