



ANNUAL REPORT 2006



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We provide a specialist service that meets our members' needs by embracing change and responding to local government liability exposures.

Liability Riskpool | Mission Statement

Riskpool achieves this by:

- > Assisting and encouraging Local Government to take greater collective responsibility for managing liability risks.
- > Facilitating group support and the dissemination of collective knowledge, expertise and experience.
- > Proactively identifying, analysing and responding to emerging liability issues with practical and meaningful risk management advice and assistance.
- > Providing a complete and balanced service to all Members, incorporating scheme administration, risk management and loss control advice, and claims management services.
- > Providing a meaningful and practical risk management and loss control service which is effective, accountable and designed to meet the needs of Local Government.
- > Providing a claims management service which is equitable and achieves financial efficiency whilst promoting better public relations between local authorities and their communities.

Chairman's Report

For only the second time in the history of the Fund, the Board is disappointed to report that Riskpool is showing a deficit, on this occasion of \$1.28 million which equates to just under 10% of Riskpool's cash reserves at 30 June 2006 of \$13.5 million. This turnaround in our result is attributable to the development of our understanding of our exposure – much of it resulting from the leaky building issue. As our actuarial modelling has refined, so has our understanding of what the total potential liability to Councils could be.

It was the development of this knowledge which led to the Board reluctantly introducing the minimum \$50,000 excess on claims reported to the Weathertight Homes Resolution Service from 1 February 2006. It was also behind the introduction of the multiunit exclusion for leaky building claims from 1 July 2006.

In all other respects the protection provided by Riskpool to members has not changed. Members continue to enjoy the benefits of a Fund designed for Local Government and owned by the members.

The reported deficit is an estimate, which has been arrived at following extensive actuarial calculations and is an assessment of the reserves which may be required to fund the approximately 3,000 precautionary claim notifications. It is important to

remember that a significant number of these notifications may not result in claims against the Fund.

It has been a very busy year for Riskpool with the development of building defects claims and their progressive settlements. In addition, we have also been defending on behalf of the Far North District Council our largest claim to date. This claim is for damages of approximately \$10 million following the alleged pollution of 15 oyster farms operating in the Waikere Inlet some 18 kilometres downstream from the Kawakawa sewage treatment plant. At the time of going to print with this report, we are still waiting to hear the decision of the High Court judge, following the hearing of this case, which concluded late March 2006. This circumstance serves to demonstrate that not all possible claim notifications arise from building defects. Our members continue to be exposed to potential claims from a wide and varied number of causes.

The number of building defect claims has not slowed down during the last Fund year. The increase in the number of potential multi-unit leaky building claims notifications and the potential size of the Far North oyster farms claim added additional complexities to the purchase of Riskpool's reinsurance. Our reinsurance is now arranged by Jardine Lloyd Thompson Australia alongside the reinsurance programme they manage for six Australian local government liability Funds.

Michael Ross
Chairman



A very important function of Riskpool is the provision of risk management advice, led by JLT. By centralising risk management and allowing councils to learn from one another, claims are not only reduced, but information is able to be shared and better risk management processes promoted throughout the sector. Thus member Councils are benefiting from a service unavailable anywhere else in the insurance market.

Roger Duncan from North Shore City Council retired from the Board in June after nine years' service. I would like on behalf of the Board to record my thanks to Roger for his contribution to Riskpool and to welcome our newest Director–Denis Sheard from Waitakere. I would also like to thank the Scheme Manager (Jardine Lloyd Thompson), the Scheme Solicitor (Heaney & Co) and the Fund Manager (Civic Assurance) for their ongoing work for Riskpool.

A handwritten signature in black ink, appearing to read 'M Ross'.

Michael Ross
Chairman

“Putting Weathertight Homes Resolution Service claims aside, Member Councils faced a record number of claims in the courts.”

Scheme Manager’s Operational Overview

The 2005–06 year of account has been a particularly difficult one with significant litigation against local authorities. Putting Weathertight Homes Resolution Service (WHRS) claims aside, Member Councils faced a record number of claims in the courts. These cases included claims for damages arising from alleged negligently issued resource consents, alleged sewage contamination, alleged building defects other than moisture ingress claims and claims arising from Regional Council pest control operations.

Extreme weather events saw allegations made against Councils following major flooding and landslip events, however few of these allegations have been followed with actual litigation.

It’s hard to ignore the continuing demand that WHRS claims place on our Members and us. Late in the year the Minister for Building Issues signaled sweeping changes to the WHRS. At the time of writing the WHRS Amendment Bill has just passed its first reading and we will be keeping abreast of its progress and how it might affect future claims.

During the year, RiskPool’s board increased the minimum excess for WHRS claims registered with the Service after 1 February 2006. This step was necessary following an actuarial analysis of claims and it was taken to ensure that inter-Member equity is maintained. By way of assistance to our Members, who will be handling under excess WHRS claims in house as a result of the increase, we have drafted a WHRS claims management guide.

In the Resource Management Act area we saw the *Bella Vista Ltd v Western Bay of Plenty District Council* decision continue the line of judicial thinking that we saw in *No. Three Meade St Ltd v Rotorua District Council* in the Building Act context; that Councils do not owe a duty to protect the economic interests of others whilst performing their statutory functions under legislation that has other statutory purposes.

Again in the Building Act context we saw in the *Williams v Selwyn District Council* decision the Courts issue a warning to Councils that whilst the Courts have every sympathy with Councils struggling with volume of work and staffing issues, those issues do not relieve them of the duty to meet the statutory timeframes for issuing consents.

We have continued our work in risk assessment with our Members. Our Members are continuing their efforts towards Building Act accreditation and we are pleased to be able to assist in this process.

During the year we began development of a Planning Controls assessment programme based on the same methodology employed in our Building Control assessment programme. This programme will assist Councils to benchmark their performance and processes against what we regard as good practice and it will be a useful adjunct to Councils’ own risk management processes.



Paul Carpenter
Scheme Manager



Leoni Winch
Assistant Scheme Manager

Risk Management

During the year under review, as well as continuing to carry out building control liability assessments, we completed the development of a Resource Consent assessment programme. This was modelled on the same methodology employed in the building control assessment programme.

All but 20 Councils have had the building control assessment completed. We have received a lot of positive feedback regarding the assessments and are pleased to hear that members find the assessment process helpful.

During the course of this year's assessments we have noted that:

Most Councils have adopted a prudent approach in relation to Certificates of Acceptance. We anticipated that this would be an area of high risk due to the potential liability that their use might cause.

The pending building control authority (BCA) accreditation has brought a number of Councils together sharing resources and experience. We are aware that a number of individual Councils and cluster groups are already well advanced in their preparation for accreditation and have put in place or improved, existing formal systems, procedures and policies. We have noted however that some Councils are struggling to get formal systems and procedures in place. Despite proposed standards and criteria for accreditation criteria having been published since March 2006 and good practice dictating that the processing of building control documents should be well documented, we still see a number of Councils that do not document the process.

Resulting from the preparation for accreditation, we have seen a marked improvement overall within some Councils. One area that remains of concern however is the standard of the documentation of building inspections. Some Councils are still not recording sufficient detail and in some instances would find it difficult defending any future claims.

One area of uncertainty surrounding the Building Act 2004 has stood out above all others amongst Councils. The issue surrounds the requirement under the Act for Councils to make a decision, two years after the issue of a Building Consent issued after 31 March 2005, whether or not to issue a Code Compliance Certificate (CCC), or whether or not to grant an extension of time. A number of Councils are still unsure how they might deal with this issue.

We continue to operate our help desk. It is encouraging to see that members continue to make good use of it. It is also worth reminding our members that they are welcome to contact us regarding any liability, risk management or claims management enquiry at any time.

We have enjoyed working closely with RiskPool members and a number of industry groups throughout the year. We would like to thank those Councils that, whilst being extremely busy working towards the implementation of numerous requirements of the new Building Act, have continued to participate in the assessment programme. We enjoy meeting with you and look forward to working with you again in 2007 which we are sure will be another challenging year for our members.

Raelene James
Risk Management
Consultant



"The pending building control authority accreditation has brought a number of councils together sharing resources and experience."

6,761 notifications of claims or circumstances that might give rise to claims have been received and managed.

Claims Management

The following table summarises claim notifications over the last nine years.

Number of Members	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
	57	70	74	76	79	80	81	83	82*

* Banks Peninsula District Council and Christchurch City Council amalgamated.



John Golder
Claims Administrator



Aubrey Hann
Claims Administrator

Cause of Claim / Notification	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Building Control Matters	176	255	212	173	177	629	344	363	257
RMA Matters	81	159	86	98	76	90	76	58	24
Flooding/Blocked Drains	57	90	68	64	58	40	43	37	33
LIM's	51	57	39	46	36	75	62	71	59
Landslip/Subsidence	34	42	28	32	26	27	46	27	38
Sewage Discharge	11	19	12	15	10	14	16	19	16
Falling Trees	10	12	11	9	8	6	17	15	5
Defamation	7	9	6	5	4	1	4	3	3
Other	223	212	219	234	290	196	153	175	153
Total	650	855	681	676	685	1078	761	768	588
Claims per Member	11.4	12.2	9.2	8.9	8.7	13.5	9.4	9.3	7.2

At first appearance it would seem that claim numbers are down on previous years. However, because WHRS claims are considered by their registration date with the WHRS, these figures are subject to change as there are reasonable delays between the registration date and the date the claim is made known to RiskPool. We would expect that in time the building control numbers will increase to previous years' levels.

What is not obvious from the numbers though, is the proportion of claims requiring active management. Historically only 35% of all circumstances notified to RiskPool required active management. In 2002–03 with the establishment of the WHRS, the increased awareness of the role of local authorities and a shift in the public's determination to pursue claims, we now see that 65% of claims require active management.

WHRs adjudications would appear to be reasonably carefully thought out. We had a number of successful determinations during the year where either no duty of care was found to be owed, or that the Council was reasonable in its discharge of its duties, or upon careful analysis the Council was found liable only for minor defects in much larger claims.

We are pleased to see the incidence of Resource Management Act matters continue to decline. When these claims do occur we continue to note that good documentation of decisions provides valuable assistance in the defence of allegations against Councils.

We have been pleased to see that few claims have followed major flooding and landslip events. We suspect that claimants are giving better thought to the litigation process and the cost and likelihood of success before embarking upon it. Notwithstanding that, our policy of robustly defending these types of claims remains.

Other categories of claims appear to be tracking as expected

Greg Morton
Claims Administrator



Liz Lang
Claims Administrator



"We are pleased to see the incidence of Resource Management Act matters continue to decline."

To the readers of
New Zealand Mutual
Liability Riskpool's
financial statements
for the year ended
30 June 2006

Audit Report

The Auditor-General is the auditor of the New Zealand Mutual Liability Riskpool (the Riskpool). The Auditor-General has appointed me, Graeme R Mitchell, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the Riskpool, on his behalf, for the year ended 30 June 2006.

Unqualified Opinion

In our opinion the financial statements of the Riskpool on pages 10 to 23:

- > comply with generally accepted accounting practice in New Zealand; and
- > fairly reflect:
 - the Riskpool's financial position as at 30 June 2006; and
 - the results of its operations and cash flows for the year ended on that date.

The audit was completed on 12 September 2006, and is the date at which our opinion is expressed.

The basis of our opinion, which refers to the going concern basis on which the financial statements have been prepared, is explained below. In addition, we outline the responsibilities of the Trustee and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- > determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- > verifying samples of transactions and account balances;
- > performing analyses to identify anomalies in the reported data;

- > reviewing significant estimates and judgements made by the Trustee;
- > confirming year-end balances;
- > determining whether accounting policies are appropriate and consistently applied; and
- > determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Going Concern

In forming our unqualified opinion, we note that the financial statements of the Riskpool have been appropriately prepared on a going concern basis. Note 2 outlines that the going concern basis is appropriate because the Trustee is able to levy the members of the Riskpool to cover any shortfall in equity in any Fund.

Responsibilities of the Trustee and the Auditor

The Trustee is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Riskpool as at 30 June 2006. They must also fairly reflect the results of its operations and cash flows for the year ended on that date. The Trustee's responsibilities arise from the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Our firm has provided tax support to the Riskpool during the year. Apart from this, and other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in the Riskpool.



Graeme R Mitchell
DELOITTE
ON BEHALF OF THE AUDITOR-GENERAL
WELLINGTON, NEW ZEALAND

Deloitte.

New Zealand Mutual Liability Riskpool

Statement of Financial Performance for the year ended 30 June 2006

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	Note	Fund No. 9 (05–06)		Fund No. 8 (04–05)		Fund No. 7 (03–04)		Fund No. 6 (02–03)	
		2006	2005	2006	2005	2006	2005	2006	2005
		\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Members' Contributions		7,469,934	-	-	7,116,293	-	-	-	-
Contribution to expenses from prior fund years		457,500	-	-	-	-	-	-	-
Direct Claims Expense	5	5,031,367	-	556,164	6,870,431	1,311,920	1,334,012	117,452	(57,279)
Future Claims Administration Expense	5	714,420	-	-	802,800	-	408,600	-	187,200
Reinsurance Expense		1,332,722	-	-	1,584,875	-	-	-	-
Net Result for the Period		848,925	-	(556,164)	(2,141,813)	(1,311,920)	(1,742,612)	(117,452)	(129,921)
Investment Revenue		339,882	-	319,857	277,214	217,922	249,824	34,906	95,054
Total Revenue		1,188,807	-	(236,307)	(1,864,599)	(1,093,998)	(1,492,788)	(82,546)	(34,867)
Expenditure									
Risk Management Programme		-	-	-	-	-	-	-	-
Scheme Managers Fees		1,174,000	-	-	805,550	-	-	-	-
Fund Managers Fees		185,350	-	-	101,200	-	-	-	-
Audit Fees		2,094	-	3,219	2,094	2,094	6,844	2,094	2,094
Other Fees Paid to Auditors		-	-	-	20,050	-	1,100	-	-
Consultancy		102,901	-	-	-	-	-	-	-
Meeting / Travel Expenses		12,885	-	-	27,558	-	7	-	-
Directors & Officers Liability Insurance		7,030	-	-	7,030	-	610	-	-
Legal Fees		29,124	-	-	15,947	-	-	-	-
Printing and Stationery		8,848	-	191	8,500	-	586	-	-
Sundry Expenses		287	-	-	9,217	-	-	-	-
Rebate Expense / Trust Income Distribution		-	-	-	-	-	146,191	-	131,165
Total Expenditure		1,522,519	-	3,410	997,146	2,094	155,338	2,094	133,259
Net Surplus / (Deficit) before Tax		(333,712)	-	(239,717)	(2,861,745)	(1,096,092)	(1,648,126)	(84,640)	(168,126)
Tax Expense		-	-	(97,483)	(223,515)	(51,162)	(48,243)	-	6,274
Net Surplus / (Deficit) after Tax		(333,712)	-	(142,234)	(2,638,230)	(1,044,930)	(1,599,883)	(84,640)	(174,400)

This statement is to be read in conjunction with the statement of Accounting Policies and Notes to the Financial Statements.

Fund No. 5 (01-02)		Fund No. 4 (00-01)		Fund No. 3 (99-00)		Fund No. 2 (98-99)		Fund No. 1 (97-98)		TOTAL	
2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
-	-	-	-	-	-	-	-	-	-	7,469,934	7,116,293
-	-	-	-	-	-	-	-	-	-	457,500	-
196,330	(137,152)	71,255	(144,904)	(172,401)	88,455	(49,987)	(4,382)	5,691	20,459	7,067,791	7,969,640
-	17,400	-	7,200	-	7,800	-	3,000	690	1,200	715,110	1,435,200
-	-	-	-	-	-	-	-	-	-	1,332,722	1,584,875
(196,330)	119,752	(71,255)	137,704	172,401	(96,255)	49,987	1,382	(6,381)	(21,659)	(1,188,189)	(3,873,422)
25,190	58,347	146,442	121,515	139,226	129,887	19,920	27,724	65	1,087	1,243,410	960,652
(171,140)	178,099	75,187	259,219	311,627	33,632	69,907	29,106	(6,316)	(20,572)	55,221	(2,912,770)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	1,174,000	805,550
-	-	-	-	-	-	-	-	-	-	185,350	101,200
2,094	2,094	2,094	2,094	2,094	2,094	2,094	2,094	2,094	2,094	19,971	21,502
-	-	-	-	-	-	-	-	-	-	-	21,150
-	-	-	-	-	-	-	-	-	-	102,901	-
-	-	-	-	-	-	-	-	-	-	12,885	27,565
-	-	-	-	-	-	-	-	-	-	7,030	7,640
-	-	-	-	-	-	-	-	-	-	29,124	15,947
-	-	-	-	-	-	-	-	-	-	9,039	9,086
-	-	-	-	-	-	-	-	-	-	287	9,217
-	-	-	-	-	-	-	272,644	-	-	-	550,000
2,094	2,094	2,094	2,094	2,094	2,094	2,094	2,094	2,094	2,094	1,540,587	1,568,857
(173,234)	176,005	73,093	257,125	309,533	31,538	67,813	(245,632)	(8,410)	(22,666)	(1,485,366)	(4,481,627)
-	63,954	24,121	88,773	102,146	12,853	22,378	(80,664)	-	(1,876)	-	(182,444)
(173,234)	112,051	48,972	168,352	207,387	18,685	45,435	(164,968)	(8,410)	(20,790)	(1,485,366)	(4,299,183)

New Zealand Mutual Liability Riskpool

Statement of Movements in Trust Funds for the year ended 30 June 2006

	Fund No. 9 (05–06)		Fund No. 8 (04–05)		Fund No. 7 (03–04)		Fund No. 6 (02–03)	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$
Total Trust Funds at 1 July 2005	-	-	(2,638,230)	-	(1,332,498)	121,194	287,473	330,708
Net Surplus/(Deficit)	(333,712)	-	(142,234)	(2,638,230)	(1,044,930)	(1,599,883)	(84,640)	(174,400)
Capital Contribution	-	-	-	-	-	146,191	-	131,165
Total Trust Funds at 30 June 2006	(333,712)	-	(2,780,464)	(2,638,230)	(2,377,428)	(1,332,498)	202,833	287,473

This statement is to be read in conjunction with the statement of Accounting Policies and Notes to the Financial Statements.

Fund No. 5 (01–02)		Fund No. 4 (00–01)		Fund No. 3 (99–00)		Fund No. 2 (98–99)		Fund No. 1 (97–98)		TOTAL	
2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
522,256	410,205	1,731,714	1,563,362	1,645,505	1,626,820	324,732	217,056	(341,310)	(320,520)	199,642	3,948,825
(173,234)	112,051	48,972	168,352	207,387	18,685	45,435	(164,968)	(8,410)	(20,790)	(1,485,366)	(4,299,183)
-	-	-	-	-	-	-	272,644	-	-	-	550,000
349,022	522,256	1,780,686	1,731,714	1,852,892	1,645,505	370,167	324,732	(349,720)	(341,310)	(1,285,724)	199,642

New Zealand Mutual Liability Riskpool

Statement of Financial Position as at 30 June 2006

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	Note	Fund No. 9 (05-06)		Fund No. 8 (04-05)		Fund No. 7 (03-04)		Fund No. 6 (02-03)	
		2006	2005	2006	2005	2006	2005	2006	2005
		\$	\$	\$	\$	\$	\$	\$	\$
Trust Funds									
Trust Accounts		(333,712)	-	(2,780,464)	(2,638,230)	(2,523,619)	(1,478,689)	71,668	156,308
Trust Capital Account		-	-	-	-	146,191	146,191	131,165	131,165
Total		(333,712)	-	(2,780,464)	(2,638,230)	(2,377,428)	(1,332,498)	202,833	287,473
Represented by:									
Current Assets									
Bank – ANZ Banking Group		139,719	250,676	105,536	25,435	78,895	82,650	35,747	18,452
Short Term Bank Deposits		4,535,000	-	2,810,000	4,070,000	2,045,000	3,540,000	-	895,000
Accrued Interest		53,530	-	35,044	85,278	7,554	49,893	-	15,782
Accounts Receivable		-	-	-	-	-	-	-	-
Excess Claims Recovery	5	-	-	1,397,907	-	3,540,997	888,918	5,432,592	4,296,010
Taxation Receivable/(Payable)		94,611	-	1,100,731	564,465	392,536	121,821	98,901	78,468
GST Receivable/(Payable)		41,389	(27,853)	58,324	12,700	60,919	55,209	(59,493)	(8,286)
Total Current Assets		4,864,249	222,823	5,507,542	4,757,878	6,125,901	4,738,491	5,507,747	5,295,426
Total Assets		4,864,249	222,823	5,507,542	4,757,878	6,125,901	4,738,491	5,507,747	5,295,426
Current Liabilities									
Accounts Payable		34,986	-	2,357	40,807	2,356	61,132	2,356	57,001
Interfund Payable/(Receivable)		(457,500)	-	(96,539)	(223,516)	60,708	-	114,635	8,075
Provision for Rebate		-	-	-	-	-	-	-	-
Contributions Received in Advance		-	222,823	-	-	-	-	-	-
Total Current Liabilities		(422,514)	222,823	(94,182)	(182,709)	63,064	61,132	116,991	65,076
Claims Provision	5	5,620,475	-	8,382,188	7,578,817	8,440,265	6,009,857	5,187,923	4,942,877
Total Liabilities		5,197,961	222,823	8,288,006	7,396,108	8,503,329	6,070,989	5,304,914	5,007,953
EXCESS/(DEFICIT) ASSETS OVER LIABILITIES		(333,712)	-	(2,780,464)	(2,638,230)	(2,377,428)	(1,332,498)	202,833	287,473

Signed on behalf of the Trustee,
Local Government Mutual Funds Trustee Limited on 12 September 2006.

Director



Director



This statement is to be read in conjunction with the statement of Accounting Policies and Notes to the Financial Statements.

Fund No. 5 (01–02)		Fund No. 4 (00–01)		Fund No. 3 (99–00)		Fund No. 2 (98–99)		Fund No. 1 (97–98)		TOTAL	
2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(27,392)	522,256	482,461	433,489	387,621	180,234	97,523	52,088	(349,720)	(341,310)	(4,975,634)	(3,113,854)
376,414	-	1,298,225	1,298,225	1,465,271	1,465,271	272,644	272,644	-	-	3,689,910	3,313,496
349,022	522,256	1,780,686	1,731,714	1,852,892	1,645,505	370,167	324,732	(349,720)	(341,310)	(1,285,724)	199,642
(374,980)	160,589	123,823	38,139	78,960	21,260	27,268	41,500	(84,707)	(45,311)	130,261	593,390
-	735,000	1,865,000	1,920,000	1,855,000	1,945,000	310,000	290,000	-	-	13,420,000	13,395,000
-	10,857	37,810	27,996	8,601	24,302	3,444	699	-	-	145,983	214,807
-	-	-	-	-	-	-	-	-	-	-	-
4,000,906	275,645	-	-	-	-	-	-	147,356	126,504	14,519,758	5,587,077
35,948	22,968	217,287	135,935	120,261	66,219	1,181	(4,487)	991	926	2,062,447	986,315
36,267	7,362	4,951	5,479	15,746	10,725	23,128	35,612	(522)	(1,364)	180,709	89,584
3,698,141	1,212,421	2,248,871	2,127,549	2,078,568	2,067,506	365,021	363,324	63,118	80,755	30,459,158	20,866,173
3,698,141	1,212,421	2,248,871	2,127,549	2,078,568	2,067,506	365,021	363,324	63,118	80,755	30,459,158	20,866,173
2,727	7,636	2,356	2,356	2,356	2,356	6,291	6,291	2,356	2,356	58,141	179,935
(344,038)	(351,988)	257,293	231,012	91,039	(13,867)	(28,207)	(52,325)	402,609	402,609	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	222,823
(341,311)	(344,352)	259,649	233,368	93,395	(11,511)	(21,916)	(46,034)	404,965	404,965	58,141	402,758
3,690,430	1,034,517	208,536	162,467	132,281	433,512	16,770	84,626	7,873	17,100	31,686,741	20,263,773
3,349,119	690,165	468,185	395,835	225,676	422,001	(5,146)	38,592	412,838	422,065	31,744,882	20,666,531
349,022	522,256	1,780,686	1,731,714	1,852,892	1,645,505	370,167	324,732	(349,720)	(341,310)	(1,285,724)	199,642

New Zealand Mutual Liability Riskpool

Statement of Cash Flows for the year ended 30 June 2006

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	Note	Fund No. 9 (05–06)		Fund No. 8 (04–05)		Fund No. 7 (03–04)		Fund No. 6 (02–03)	
		2006	2005	2006	2005	2006	2005	2006	2005
		\$	\$	\$	\$	\$	\$	\$	\$
Cash flows from operating activities									
Cash was provided from:									
Members' Contributions		7,247,111	222,823	-	7,021,005	-	-	-	-
Interest Received–Bank		286,352		370,091	191,936	260,261	240,463	50,688	111,945
		7,533,463	222,823	370,091	7,212,941	260,261	240,463	50,688	111,945
Cash was applied to:									
Reinsurance		(1,332,722)	-	-	(1,584,875)	-	-	-	-
Scheme Managers Fees		(1,174,000)	-	-	(805,550)	-	-	-	-
Fund Managers Fees		(185,350)	-	-	(101,200)	-	-	-	-
Legal Fees		(16,127)	-	(7,500)	(8,447)	-	(7,500)	-	-
Claims		(125,312)	-	(931,216)	(89,438)	(1,473,967)	(470,563)	(951,002)	(1,469,676)
Consultants		(95,801)	-	(6,600)	(22,450)	-	(1,100)	-	-
Audit Fees		-	-	(3,219)	-	(2,094)	(6,465)	(2,094)	(1,715)
Other Expenses		(20,143)	-	(15,834)	(27,662)	-	(18,898)	-	-
Taxation paid		(94,611)		(536,267)	(564,465)	(270,715)	(78,194)	(20,433)	(41,432)
Net GST		(65,354)	27,853	(49,354)	(20,618)	(12,240)	(18,557)	45,136	(26,413)
		(3,109,420)	27,853	(1,549,990)	(3,224,705)	(1,759,016)	(601,277)	(928,393)	(1,539,236)
Net cash inflow/(outflow) from operating activities	4	4,424,043	250,676	(1,179,899)	3,988,236	(1,498,755)	(360,814)	(877,705)	(1,427,291)
Cash flows from investing activities:									
Net (increase)/decrease in investments		-	-	-	-	-	-	-	-
Net cash inflow/(outflow) from investing activities		-	-	-	-	-	-	-	-
Cash flows from financing activities:									
Advances (to) / from other Funds		-	-	-	-	-	-	-	-
Net cash inflow/(outflow) from investing activities		-	-	-	-	-	-	-	-
Net increase/(decrease) in cash held		4,424,043	250,676	(1,179,899)	3,988,236	(1,498,755)	(360,814)	(877,705)	(1,427,291)
Opening cash		250,676		4,095,435	107,199	3,622,650	3,983,464	913,452	2,340,743
Ending cash		4,674,719	250,676	2,915,536	4,095,435	2,123,895	3,622,650	35,747	913,452

This statement is to be read in conjunction with the statement of Accounting Policies and Notes to the Financial Statements.

Fund No. 5 (01–02)		Fund No. 4 (00–01)		Fund No. 3 (99–00)		Fund No. 2 (98–99)		Fund No. 1 (97–98)		TOTAL	
2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
-	-	-	-	-	-	-	-	-	-	7,247,111	7,243,828
36,047	63,517	136,628	123,621	154,927	145,128	17,175	37,228	65	1,087	1,312,234	914,925
36,047	63,517	136,628	123,621	154,927	145,128	17,175	37,228	65	1,087	8,559,345	8,158,753
-	-	-	-	-	-	-	-	-	-	(1,332,722)	(1,584,875)
-	-	-	-	-	-	-	-	-	-	(1,174,000)	(805,550)
-	-	-	-	-	-	-	-	-	-	(185,350)	(101,200)
-	-	-	-	-	-	-	-	-	-	(23,627)	(15,947)
(1,262,051)	(289,120)	(23,026)	(236,857)	(126,070)	(141,983)	(16,129)	(116,129)	(36,460)	(44,965)	(4,945,233)	(2,858,731)
-	-	-	-	-	-	-	-	-	-	(102,401)	(23,550)
(2,094)	(1,714)	(2,094)	(1,714)	(2,094)	(1,714)	(2,094)	(1,714)	(2,094)	(1,714)	(17,877)	(16,750)
-	-	-	-	-	-	-	-	-	-	(35,977)	(46,560)
(12,980)	12,130	(81,352)	1,087	(54,042)	(158)	(5,668)	(12,285)	(65)	193	(1,076,133)	(683,124)
(29,491)	(7,876)	528	42,108	(5,021)	(569)	12,484	(11,838)	(842)	(128)	(104,154)	(16,038)
(1,306,616)	(286,580)	(105,944)	(195,376)	(187,227)	(144,424)	(11,407)	(141,966)	(39,461)	(46,614)	(8,997,474)	(6,152,325)
(1,270,569)	(223,063)	30,684	(71,755)	(32,300)	704	5,768	(104,738)	(39,396)	(45,527)	(438,129)	2,006,428
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
(1,270,569)	(223,063)	30,684	(71,755)	(32,300)	704	5,768	(104,738)	(39,396)	(45,527)	(438,129)	2,006,428
895,589	1,118,652	1,958,139	2,029,894	1,966,260	1,965,556	331,500	436,238	(45,311)	216	13,988,390	11,981,962
(374,980)	895,589	1,988,823	1,958,139	1,933,960	1,966,260	337,268	331,500	(84,707)	(45,311)	13,550,261	13,988,390

New Zealand Mutual Liability Riskpool

Notes to the Financial Statements for the year ended 30 June 2006

Note 1. Statement of accounting policies

Reporting Entity

The purpose of New Zealand Mutual Liability Riskpool (the Scheme) is to provide cover to Member local governments for, and manage, all claims for civil liabilities made against Members during the period 4pm 30 June to 4pm 30 June. A separate fund is established for each year.

Local Government Mutual Funds Trustee Limited (LGMFTL) has been appointed to act as the Trustee for the Scheme.

New Zealand Local Government Insurance Corporation Limited trading as Civic Assurance (Civic) has been appointed the Fund Manager for the Scheme and holds all the shares in LGMFTL in trust for the Members of the Scheme.

General Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting practice.

Accrual Accounting is used to match expenses and revenue. The measurement base adopted is that of historical cost with the exception of short term deposits which are at market value.

Particular Accounting Policies

The following particular accounting policies which materially affect the measurement of financial performance and financial position have been applied:

Goods and Services Tax

The financial statements are prepared on a GST exclusive basis.

Claims

All claims are provided for when notified.

Short Term Deposits

Short Term Deposits with maturities at balance date of less than 90 days are valued at maturity value.

Taxation

The income tax expense charged against the surplus for the year is the estimated liability in respect of that surplus and is calculated after an allowance for permanent differences. The liability method of accounting for deferred taxation is applied on a comprehensive basis. Future tax benefits attributable to tax losses or timing differences are only recognised when there is virtual certainty of realisation. The Scheme has utilised income tax losses available from previous years.

Differential Reporting

The Scheme qualifies for differential reporting as it is not publicly accountable and it is not large.

The Scheme has taken advantage of exemptions relating to: FRS-31: Disclosure of Information about Financial Instruments, SSAP12: Accounting for Income Tax and SSAP 22: Related Party Disclosures.

Changes in Accounting Policies

There have been no changes in accounting policies during the year.



Note 2. Basis of preparation of accounts

Many assumptions were made in arriving at the estimated figure of the outstanding claims reserve. The final outcome will depend on many variables including the percentage of WHRS (The Weathertightness Home Resolution Service) registrations that will not proceed, the percentage that will involve private certifiers and will have no impact on Riskpool and the contribution applied to other parties. The estimate takes into account all relevant factors and drawing on Riskpool's historical experience of these types of claims. The figure invariably will be subject to upwards or downwards adjustments in the future as claims are resolved. Under the terms of the Trust Deed the Trustee is able to levy the members to cover the shortfall in equity in any Fund.

The financial statements do not include any adjustments that would result from a failure of Riskpool to continue to operate as a going concern. If Riskpool was unable to continue to operate as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amount at which they are currently recorded in the Statement of Financial Position. In addition, Riskpool may have to provide for further liabilities that might arise, and to reclassify non current assets and liabilities as current assets and liabilities.

Note 3. Taxation

Application was made to the Inland Revenue Department in 2001 for a Private Binding Ruling on the income tax treatment of Riskpool's financial affairs. The tax related aspects of these Financial Statements reflect the result of the Binding Ruling which was received in December 2003.

New Zealand Mutual Liability Riskpool

Notes to the Financial Statements for the year ended 30 June 2006

Note 4. Reconciliation of net surplus/(deficit) to net cash inflow/(outflow) from operating activities.

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	Fund No. 9 (05–06)		Fund No. 8 (04–05)		Fund No. 7 (03–04)		Fund No. 6 (02–03)	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$
Net Surplus/(Deficit)	(333,712)	-	(142,234)	(2,638,230)	(1,044,930)	(1,599,883)	(84,640)	(174,400)
Add/(less) non cash items								
Claims Provision	5,620,475	-	(594,536)	7,578,817	(221,671)	1,219,803	(891,536)	(1,331,732)
	5,620,475	-	(594,536)	7,578,817	(221,671)	1,219,803	(891,536)	(1,331,732)
Add/(less) movements in other working capital items								
Accrued Interest	(53,530)	-	50,234	(85,278)	42,339	(9,361)	15,782	16,891
GST Receivable	(69,242)	27,853	(45,623)	(24,611)	(5,710)	(22,407)	51,207	(25,458)
Taxation Receivable	(94,611)	-	(536,266)	(564,465)	(270,715)	(126,437)	(20,433)	(80,244)
Interfund Payable/Receivable	(457,500)	-	126,976	(223,515)	60,708	-	106,560	49,579
Trust Income Distribution	-	-	-	-	-	146,191	-	131,165
Prepayments	-	-	-	-	-	-	-	-
Deferred Tax	-	-	-	-	-	-	-	-
Contribution received in advance	(222,823)	222,823	-	(95,288)	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-	(4,493)
Accounts Payable	34,986	-	(38,450)	40,806	(58,776)	31,280	(54,645)	(8,599)
	(862,720)	250,676	(443,129)	(952,351)	(232,154)	19,266	98,471	78,841
Net cash inflow/(outflow) from operating activities	4,424,043	250,676	(1,179,899)	3,988,236	(1,498,755)	(360,814)	(877,705)	(1,427,291)

Fund No. 5 (01–02)		Fund No. 4 (00–01)		Fund No. 3 (99–00)		Fund No. 2 (98–99)		Fund No. 1 (97–98)		TOTAL	
2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(173,234)	112,051	48,972	168,352	207,387	18,685	45,435	(164,968)	(8,410)	(20,790)	(1,485,366)	(4,299,183)
(1,069,348)	(413,566)	46,069	(374,561)	(301,231)	(45,728)	(67,856)	(107,733)	(30,079)	(23,305)	2,490,287	6,501,995
(1,069,348)	(413,566)	46,069	(374,561)	(301,231)	(45,728)	(67,856)	(107,733)	(30,079)	(23,305)	2,490,287	6,501,995
10,857	5,170	(9,815)	2,105	15,701	15,241	(2,745)	9,504	-	-	68,823	(45,728)
(28,905)	(8,510)	529	42,063	(5,021)	(616)	12,484	(10,663)	(907)	(177)	(91,188)	(22,526)
(12,980)	(20,831)	(81,352)	(39,249)	(54,042)	(47,996)	(5,668)	(102,853)	-	(2,235)	(1,076,067)	(984,310)
7,950	63,824	26,281	87,227	104,906	12,982	24,118	9,904	-	-	(1)	1
-	-	-	-	-	-	-	272,644	-	-	-	550,000
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	(222,823)	127,535
-	33,091	-	41,881	-	47,709	-	-	-	552	-	118,740
(4,909)	5,708	-	427	-	427	-	(10,573)	-	428	121,794	59,904
(27,987)	78,452	(64,357)	134,454	61,544	27,747	28,189	167,963	(907)	(1,432)	(1,443,050)	(196,384)
(1,270,569)	(223,063)	30,684	(71,755)	(32,300)	704	5,768	(104,738)	(39,396)	(45,527)	(438,129)	2,006,428

New Zealand Mutual Liability Riskpool

Notes to the Financial Statements

Note 5. Claims

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	Fund No. 9 (05–06)		Fund No. 8 (04–05)		Fund No. 7 (03–04)		Fund No. 6 (02–03)	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$
Cumulative Claims Experience								
Claims provision	5,620,475	-	8,382,188	7,578,817	8,440,265	6,009,857	5,187,923	4,942,877
Claims paid–Current year	125,312	-	926,240	94,414	1,421,721	522,809	902,428	1,461,653
Claims paid–Prior year(s)	-	-	94,414	-	781,467	258,658	2,733,054	1,271,401
Gross claims incurred (Paid and estimated)	5,745,787	-	9,402,842	7,673,231	10,643,453	6,791,324	8,823,405	7,675,931
Less claims recovery ex Reinsurers	-	-	(1,397,907)	-	(3,540,997)	(888,918)	(5,432,592)	(4,296,010)
Maximum claims exposure	5,745,787	-	8,004,935	7,673,231	7,102,456	5,902,406	3,390,813	3,379,921
Claims Reconciliation								
Claims Provision 30 June 2005	-	-	7,578,817	-	6,009,857	3,901,136	4,942,877	6,563,252
Claims Paid	(125,312)	-	(926,240)	(94,414)	(1,421,721)	(522,809)	(902,428)	(1,461,653)
Reassessment of prior years claims	-	-	331,704	-	1,200,050	1,742,612	10,892	129,921
Current years claims received	5,745,787	-	-	7,673,231	-	-	-	-
Movement in excess of claims recovery	-	-	1,397,907	-	2,652,079	888,918	1,136,582	(288,643)
Claims Provision at 30 June 2006	5,620,475	-	8,382,188	7,578,817	8,440,265	6,009,857	5,187,923	4,942,877

Each Fund has entered into a reinsurance contract with the effect that the Funds have maximum claims paying exposure of: Fund 1 \$2,000,000, Fund 2 \$2,500,000, Funds 3, 4 & 5 \$3,000,000, Fund 6 \$3,250,000, Fund 7 \$3,500,000 and Funds 8 & 9 \$4,000,000. However Funds 7, 8 & 9 do not have reinsurance cover for WHRS “leaky homes” claims.

HIH and FAI were participants in the excess loss annual aggregate reinsurance programmes for Funds 1 & 2. Both these companies have been placed in full receivership in 2001 and proforma claims have been lodged with the Receivers. Prior to being placed into receivership the HIH portfolio, including their claims runoff, was sold to QBE so expectations are that any claim

Fund No. 5 (01–02)		Fund No. 4 (00–01)		Fund No. 3 (99–00)		Fund No. 2 (98–99)		Fund No. 1 (97–98)		TOTAL	
2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
3,690,430	1,034,517	208,536	162,467	132,281	433,512	16,770	84,626	7,873	17,100	31,686,741	20,263,773
1,257,728	293,814	23,026	236,857	126,070	141,983	16,129	106,351	36,460	44,964	4,835,114	2,902,845
2,121,376	1,827,562	1,596,823	1,359,966	1,442,428	1,300,445	1,992,605	1,886,254	2,131,063	2,086,099	12,893,230	9,990,385
7,069,534	3,155,893	1,828,385	1,759,290	1,700,779	1,875,940	2,025,504	2,077,231	2,175,396	2,148,163	49,415,085	33,157,003
(4,000,906)	(275,645)	-	-	-	-	-	-	(147,356)	(126,504)	(14,519,758)	(5,587,077)
3,068,628	2,880,248	1,828,385	1,759,290	1,700,779	1,875,940	2,025,504	2,077,231	2,028,040	2,021,659	34,895,327	27,569,926
1,034,517	1,693,062	162,467	537,028	433,512	479,240	84,626	192,359	17,100	39,964	20,263,773	13,406,041
(1,257,728)	(293,814)	(23,026)	(236,857)	(126,070)	(141,983)	(16,129)	(106,351)	(36,460)	(44,964)	(4,835,114)	(2,902,845)
188,380	(119,752)	69,095	(137,704)	(175,161)	96,255	(51,727)	(1,382)	6,381	21,659	1,579,614	1,731,609
-	-	-	-	-	-	-	-	-	-	5,745,787	7,673,231
3,725,261	(244,979)	-	-	-	-	-	-	20,852	441	8,932,681	355,737
3,690,430	1,034,517	208,536	162,467	132,281	433,512	16,770	84,626	7,873	17,100	31,686,741	20,263,773

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on HIH will be met in full. Present indications are that based on the outstanding claims in the two Funds the exposure to FAI will not be a large or material amount.

The outstanding claims provision for Fund 6 of \$5,187,923, Fund 7 of \$8,440,265, Fund 8 of \$8,382,188 and Fund 9 of

\$5,620,475 includes a provision for WHRS “leaky building” claims (GST exclusive) of \$4,137,809, \$4,130,182, \$4,183,440 and \$2,537,315 respectively. These figures were based on a detailed analysis of the likely exposure to Riskpool based on registrations made to WHRS. The Future Claims Administration Expense was

shown separately for the first time last year and reflects the level of claims being handled.

Due to the nature of the claims, the claims outstanding amounts have been discounted using a 7% discount factor over the estimated years for settlement.

Scheme Rules

1. Structure of Rules

These Rules are divided into parts as follows:-

Part 1 Interpretation

Part 2 Scheme Membership

Part 3 Commencement of Closure of Fund Years

Part 4 Contributions

Part 5 Liability Protection

Part 6 Claims Procedures

Part 7 Scheme Member Default and Cancellation of Scheme Membership

2. Definitions

In these Rules:-a

'Board' means the Board of Directors formed pursuant to clause 5 of the Deed of Trust;

'Claim' means any claim for civil liability made upon a Member during the term of the Scheme and, in the case where a single claim is made or representative action is brought on behalf of more than one person, means the individual claim by such person;

'Deed of Trust' means the deed dated the 1st day of July 1997 establishing the Fund (as amended from time to time);

'Fund' means each separate annual Fund established pursuant to clause 4 of the Deed of Trust;

'NZLGIC' means New Zealand Local Government Insurance Corporation Limited.

'Indemnity Cover' means insurance cover purchased by the Board on behalf of Scheme Members to meet claims against Scheme Members in the amount and in respect of risks determined from time to time by the Board;

'Pooled Cover' means cover provided from the Fund to meet claims against Scheme Members in the amount and in respect of risks determined from time to time by the Board;

'Fund Manager' means the Fund Manager appointed pursuant to clause 10 of the Deed of Trust;

'Scheme' means the scheme more formally known as New Zealand Mutual Liability RiskPool constituted by the Deed of Trust;

'Scheme Documents' means these Rules, the Deed of Trust, the Protection Wording, and any other document issued by the Scheme;

'Scheme Manager' means the Scheme Manager appointed pursuant to clause 9 of the Deed of Trust.

'Scheme Member' means any person or body (whether incorporated or not) admitted as a Member of the Scheme from time to time pursuant to clause 9 of the Deed of Trust;

'Jardine' means Jardine Risk Consultants Limited;

'Protection Wording' means, in relation to any particular Member, the Combined Liability Protection Wording issued to that Scheme Member by the Scheme setting out the risks covered by the Scheme and the terms, conditions and limits of pooled cover and primary cover in respect of those risks, and "Guideline for Exercise of Discretion" or "Guidelines" has a corresponding meaning.

3. Purpose of Rules

3.1 these rules form one of the three principal constituent documents of the Scheme. The other two are:-

3.1.1 the Deed of Trust which constitutes the Scheme and sets out its purpose and intent as well as its underlying legal structure and controls; and

3.1.2 the Protection Wording issued to each Scheme Member (either the Standard Broad Form Combined Liability Protection Wording or a modified Protection Wording tailored to a particular Member's requirements) which sets out the type and limits of protection provided to each Member;

3.1.3 in the case of conflict between the provisions of:

- (a) the Deed of Trust;
 - (b) the Scheme Rules; or
 - (c) The Protection Wording;
- (a) shall prevail over (b) which shall prevail over (c).

3.2 The purpose of these rules is to set out the administrative mechanisms by which Protection Wordings are issued and by which the Scheme is administered so as to put the purpose and intent of the Deed of Trust into effect.

4. Offer of Membership

An offer of Membership of the Scheme may be made to:-

4.1 all Local Authorities within the meaning of the Local Government Act 1974;

4.2 Local Government New Zealand Incorporated;

4.3 any other person or organisation approved for admission by a special resolution of the Board.

5. Details of Offer

An offer must include:-

5.1 a copy of the Protection Wording for the liability protection offered by the Scheme to the prospective Member;

5.2 a copy of the Deed of Trust;

5.3 a copy of these Rules, and

5.4 advice as to the contribution payable for the first Fund year of Scheme Membership.

6. Acceptance of Offer

A body becomes a Scheme Member by:-

6.1 accepting the offer in writing; and

6.2 paying the initial Fund Year Membership contribution within twenty (20) days of the date of the offer (or for such longer period as determined by the Board) failing which, unless otherwise determined by the Board, the offer of Membership lapses.

7. Subsequent Fund Years

Not later than thirty (30) days prior to the end of the Fund Year, the Board must determine in respect of each Scheme Member, and advise each Scheme Member in writing:-

7.1 whether the Scheme Member will be offered renewed Membership of the Scheme for the next Fund Year;

7.2 if so, the contribution payable by the Scheme Member in respect of that Fund Year.

8. Manner of Renewal

A Scheme Member, who wishes to accept an offer of renewal for the next Fund Year must pay the contribution within twenty (20) days of the date of renewal of Membership of the Scheme, failing which, unless otherwise determined by the Board, the offer of renewed Membership lapses.

9. General Scheme Membership Obligations

9.1 By its acceptance of an offer of Membership (or renewal Membership as the case may be) a Scheme Member agrees that, at all times while it remains a Member of the Scheme:-

9.1.1 subject to clause 9.3 of these Rules, the Deed of Trust and these Rules, as amended from time to time constitute a contract between the Scheme and the Scheme Member;

9.1.2 it will be bound by the Deed of Trust and these Rules and perform the obligations of a Scheme Member under the same accordingly;

9.1.3 it will make available to the Scheme Manager all information and data which the Scheme Manager reasonably requires in order to determine the claims and risk management experience of the Scheme Member for the purpose of assessing contributions;

9.1.4 the Scheme Manager shall be permitted (but not obligated) to carry out a risk management audit or otherwise inspect the Scheme Member's property and operations at any time; and

9.1.5 the Scheme Manager may examine and audit the Scheme Member's books and records at any time (but only so far as they relate to the Membership of the Scheme or risks covered by the Scheme);

9.2 for the avoidance of doubt, the contract the subject of clause 9.1.1 of these Rules is a contract between a Scheme Member and the Scheme only and the contract does not create, as between Scheme Member and any other Scheme Member or Scheme Members, any joint rights or obligations or any mutual rights or obligations.

9.3 To the extent, if any, to which a provision of these Rules or the Deed of Trust provides or implies:-

9.3.1 in any way contrary to clause 9.2 of these Rules or;

9.3.2 that the Scheme is constituted a joint or mutual agent for Scheme Members or any of them;

that provision is, to that extent, inoperative and does not form part of the legal relationship between a Scheme Member and the Scheme.

10. Scheme Does Not Warrant Risk Levels

Each Scheme Member acknowledges that neither the Scheme's rights to make inspections nor the making thereof nor any report thereon constitutes an agreement or the assumption of an obligation, on behalf of or for the benefit of the Scheme Member or others, to determine or warrant that such property or operations are safe or represent any particular level of risk to liability.

11. First Fund Year

The first Fund Year is from 4.00 pm on the 30th day of June 1997 to 4.00 pm on the 30th day of June 1998.

12. Subsequent Fund Years

Subsequent Fund Years are from 4.00 pm on 30 June in a calendar year to 4.00 pm on 30 June in the next calendar year, unless otherwise determined by the Board.

13. Closure of the Fund Year

13.1 the Board must determine when the accounts for a Fund Year will be closed and final results for the Fund Year determined and declared.

13.2 except in the event of the Scheme being wound up no Scheme Member has any entitlement to be paid any amount on account of surplus for a Fund Year unless:-

13.2.1 the accounts for the Fund Year have been closed and final results determined and declared; and

13.2.2 the Board has determined that a distribution or return should be paid to Scheme Members in respect of that Fund Year.

14. Relevant Factors in Determination

The contributions determined for any Scheme Member in respect of any Fund Year shall be determined having regard to advice from the Scheme Manager and the Fund Manager and such matters as the Board considers relevant to the Scheme Member's level of risk and may include, without limitation:-

14.1 the Scheme Member's revenue base;

14.2 the geographical location of the Scheme Member's area of jurisdiction;

14.3 the population of the Scheme Member's area of jurisdiction;

14.4 the Scheme Member's public liability and professional indemnity claims history (both during and prior to its Membership of the Scheme);

14.5 any matter relating to the nature of the Scheme Member's area of jurisdiction or its operations which create increased or reduced risks of public liability or professional indemnity claims; and

14.6 any matters relevant to the Scheme Member's risk management practices that are known to the Board.

15. Additional Contributions

If during a Fund Year it becomes apparent to the Board that, as a result of unexpected or exceptional circumstances, the Fund for that year will be insufficient to meet claims payable from the Fund, the Board may determine an additional contribution payable by each Scheme Member for the Fund Year (which will be in the same proportion to the contributions of all other Scheme Members as the initial contribution paid by the Scheme Member for that Fund Year).

16. Time For Payment

All contributions (including an additional contribution under clause 15 or Part 7 of these Rules) must be paid within twenty (20) days of the date of renewal of Membership to the Scheme Manager or the Fund Manager (or such longer period as determined by the Board).

17. Overdue Payments

Without affecting any other Rule, if the amount of any contribution (including any additional contribution under clause 15 or Part 7 of these Rules) is not paid by the due date:-

17.1 interest thereon may, if the Board so determines, accrue calculated daily, on daily balances (and compounding semi-annually) at the Bank of New Zealand Indicator Rate from the due date to the date of actual payment.

17.2 an unpaid contribution (and interest) constitutes a debt payable by the relevant Scheme Member to the Scheme.

18. Coverage

In respect of each Fund Year, but subject always to the Deed of Trust and these Rules, the Scheme will indemnify each Scheme Member against claims for damages or compensation in accordance with the Protection Wording issued to that Scheme Member.

19. Change to Scope of Protection

19.1 the Board may from Fund Year to Fund Year alter, add to, reduce or otherwise vary the scope of protection as set out in the Protection Wording;

19.2 if the Board makes a change mentioned in clause 19.1 of these Rules it must include a copy of the new Protection Wording or details of the change with every offer of renewed Membership for the Fund Year in which the change takes effect.

20. Recourse to Scheme Assets Only

For the payment of any claim against the Scheme or the performance of any obligation of the Scheme hereunder, resort may be had solely to the Fund and other assets and property of the Scheme and no claim may be made or endorsed by a Scheme Member against:-

20.1 any Trustee of the Scheme;

20.2 the Scheme Manager or the Fund Manager in any capacity other than as Scheme Manager or Fund Manager of the Scheme;

20.3 except in the case of negligence or other breach of duty, any Board Member, employee, or agent of the Scheme; or

20.4 any other Scheme Member.

21. Payment of Claims

The amounts of Court judgements or claim settlements approved by the Board during a Fund Year in respect of claims made against the Scheme Member during that Fund Year will be met, subject to the deductible or excess (if any and unless the Board determines not to apply the deductible or excess) specified in the relevant Protection Wording:-

21.1 to the extent that the amount does not exceed the amount of the pooled cover, from the Fund;

21.2 to the extent that the amount exceeds the amount of the pooled cover:-

21.2.1 to the amount of the pooled cover, from the Fund; and

21.2.2 thereafter from Indemnity Cover to the extent of that cover;

21.3 to the extent that the amount exceeds the amount of pooled cover and Indemnity Cover:-

21.3.1 to the amount of the pooled cover, from the relevant Annual Fund for that Fund Year; and

21.3.2 to the amount of the Indemnity Cover for that Fund Year, to the extent of that cover; and

21.3.3 the balance by the Fund from Surpluses from previous Fund Years and from Additional Contributions from Members; and

21.3.4 to the limit of any guarantee provided by the Fund Manager, by the Fund Manager.

22. Reimbursable Deductible or Excess

22.1 if the Scheme pays any deductible or excess amount referred to in a Protection Wording for the Scheme Member, the Scheme Member shall reimburse the Scheme within fourteen (14) days of written notice from the Scheme.

22.2 without affecting anything in these Rules, if the amount of the deductible or excess is not paid within fourteen (14) days interest accrues thereon and the amount is recoverable in accordance with clause 17 of these Rules as though the deductible or excess were an overdue contribution.

23. Notice of Claims

Notice in writing must be given as soon as possible to the Scheme Manager:-

23.1 of any occurrence, circumstance, claim, Statement of Claim, summons or proceedings or of any impending prosecution, inquest or inquiry, or knowledge of any occurrence or circumstances which may subsequently give rise to a claim covered by the Scheme, irrespective of the quantum of such claim; and

23.2 of any change materially affecting or varying any of the facts or circumstances existing at the commencement of the cover by the Scheme that shall come to the knowledge of the Scheme Member. Such notice shall be given by the Scheme Member whose knowledge shall be deemed to include the knowledge of any person whose knowledge would at law be that of the Scheme Member.

24. Information to be Provided

The Scheme Member must provide to the Scheme, the Scheme Manager and any Loss Adjuster, Solicitor or other agent appointed by the Scheme Manager, with respect to a claim or potential claim, all information requested by such party in the manner and format requested by such party.

25. Grant or Refusal of Indemnity

Subject to clause 10.2 of the Deed of Trust, the Board shall advise the Scheme Member as soon as practicable after receipt of a claim advice as to whether the Scheme grants or refuses indemnity.

26. Admissions Not to be Made

The Scheme Member shall not make any admission, offer, promise or give any indemnity in respect of a claim or potential claim or claim circumstance or potential claim circumstance without the written consent of the Board.

27. Indemnity May Be Refused

Without limiting the discretions of the Board under the Deed of Trust, the Scheme will not indemnify the Scheme Member against any claim or claim circumstance (and may withdraw any indemnity previously granted) where:-

27.1 the Scheme Member has:-

27.1.1 breached or failed to comply with any condition or obligation in the Protection Wording issued to the Scheme Member or under the Deed of Trust or these Rules; or

27.1.2 committed any other act or made any other omission which entitled the Board to cancel the Membership of the Scheme Member under clause 38 of these Rules; and

27.2 the Scheme is prejudiced by that breach, failure, act or omission.

28. Subrogation

The Scheme Member agrees that in the event of payment of any claim by the Scheme, the Scheme will be subrogated to the extent of such payment to all the rights of the Scheme Member against any person or other legal entity responsible for the claim, and in such event, the Scheme Member shall render to the Scheme Manager, Loss Adjuster, Solicitor or other agent appointed by the Scheme Manager all assistance other than pecuniary, as is reasonably necessary to effect recovery.

29. Settlement of Claims

29.1 if the Scheme Manager so desires, it may take over the conduct in the name of the Scheme Member the defence or settlement of any claim.

29.2 the Scheme Member shall promptly take at its own expense all reasonable steps to prevent other Loss, Personal Injury or Property Damage arising out of the same or similar conditions, but such expense shall not be recoverable from the Scheme.

29.3 the Scheme Member shall use its best endeavours to preserve any damaged or defective property which might prove necessary or useful by way of evidence in connection with any claim and except where some other course is required by clause 30.2 of these Rules but only so far as may reasonably be practical, the Scheme Member must not make any alteration or repair to any premises, machinery, fittings, appliances or plant without the consent of the Scheme until the Scheme has had an opportunity of inspection.

29.4 the Scheme has full discretion to conduct any proceedings in connection with any claim.

29.5 the Scheme is entitled to prosecute in the name of the Scheme Member, at its own expense and for its own benefit any claim for indemnity or damages or otherwise.

29.6 notwithstanding clauses 29.1 to 29.5 of these Rules, a Scheme Member shall not be required to contest any legal proceedings unless a Solicitor (to be mutually agreed upon by the Scheme Member and the Scheme) shall advise that such proceeding should be contested, with the reasonable probability of success or partial success.

30. Scheme Member's Litigation Responsibilities

In connection with any litigation or claim settlement negotiations conducted by the Scheme in the name of the Scheme Member, or any action taken by the Scheme in exercise of its rights of subrogation:-

30.1 if a personal appearance by an elected Member, officer or agent of the Scheme Member is necessary at any conference, in any Court or elsewhere, the expense of such an appearance shall be borne or paid by the Scheme Member;

30.2 the Scheme Member shall fully co-operate by supplying any information and assistance requested by the Scheme Manager and any Loss Adjuster, Solicitor or other agent appointed by the Scheme Manager or the Scheme with respect to the litigation claim;

30.3 the Scheme Member may upon notice in writing, prevent a settlement proposed by the Scheme of litigation or a claim brought or made against the Scheme Member, but if it does so and the claim is ultimately settled (or judgement is ultimately given) for a higher amount, then notwithstanding clause 21 of these Rules, the Scheme Member must pay all amounts (including interest and legal costs) which exceed the amounts that the Scheme would have had to pay if the claim had been settled as proposed by the Scheme.

31. Relinquish Control

The Scheme may at any time pay to a Scheme Member the limit of pooled cover and Indemnity Cover applying to any one claim or series of claims (after deduction of sums already paid) or any lesser amount for which such claims can be settled and shall then be under no further obligation or liability in connection with such claim or claims.

32. Reasonable Care

A Scheme Member shall as far as is reasonably practical:-

32.1 exercise reasonable care that only competent employees are employed and take reasonable measures to maintain all premises, fittings and plant in a safe and sound condition;

32.2 take all reasonable precautions to:-

32.2.1 prevent loss or damage to property and personal injury;

32.2.2 prevent the manufacture, sale or supply of defective products;

32.2.3 prevent the release, issue, tender or supply of defective or erroneous advice or information;

32.2.4 comply and ensure that its employees, servants and agents comply with all statutory obligations, by-laws or regulations imposed on or by any Local Authority; and

32.3 at its own expense take all reasonable action to trace, recall or modify any item, document, information, advice or product manufactured, constructed, erected, installed, altered, repaired, serviced, treated, sold, supplied, distributed, prepared, provided, issued or tendered by the Scheme Member (including any container thereof other than a vehicle) containing any defect, error or deficiency of which the Scheme Member has knowledge or has reason to suspect.

33. Automatic Reinstatement

Upon notification to the Scheme of a claim made against a Scheme Member during the Fund Year, cover under the Protection Wording shall be reinstated for such amount as may be ultimately paid by the Scheme in respect of such claim, so as to remain in force during the fund Year for the full cover specified in the Protection Wording.

34. Contribution

When a loss paid under a Protection Wording is also recoverable under another Protection Wording or under an insurance policy and the Scheme has paid more than its rateable share, the Scheme reserves its rights to seek contribution from the other party or insurer.

35. Withdrawal

A Scheme Member may withdraw from Membership of the Scheme only at the expiry of a Fund Year upon giving to the Board written notice of its intention prior to the expiry of that Fund Year.

36. Effect of Withdrawal

Unless otherwise determined by the Board withdrawal does not:-

36.1 entitle the Scheme Member to a refund of contributions (in full or in part) in respect of the unexpired part of the Fund Year;

36.2 vary or waive the obligations of the continuing Scheme Members to comply with the provisions of the Deed of Trust or these Rules; or

36.3 affect the withdrawing Scheme Member's current or subsequent obligation to make further contributions pursuant to the Deed of Trust, these Rules or the Protection Wording for any Fund Year whilst the Scheme Member was a Scheme Member of the Scheme (including the unexpired part of the Fund Year of withdrawal).

37. Notice to Show Cause Why Scheme Membership Should Not be Cancelled

In the event that any Scheme Member (in this part referred to as 'the defaulting Scheme Member'):-

37.1 fails to comply with the reasonable directions of the Board as to the conduct of its operations so as to minimise risks;

37.2 fails to:-

37.2.1 make available to the Scheme Manager all information and data which either of them reasonably require in order to determine the claim and risk management experience of the Scheme Member for the purpose of assessing contributions;

37.2.2 permit the Scheme Manager to carry out a risk management audit or otherwise inspect the Scheme Members property and operations;

37.2.3 permit the Scheme Manager to examine and audit the Scheme Member's books and records (but only so far as they relate to Membership of the Scheme or risks covered by the Scheme);

37.3 fails to pay contributions due to the Scheme within the time prescribed by these Rules;

37.4 commits any other breach of these Rules which is not remedied within the time specified in a notice to the defaulting Scheme Member;

in that that regard, the Board may by notice in writing to the defaulting Scheme Member require that defaulting Scheme Member show good cause within fourteen (14) days why its Membership should not be cancelled.

38. Cancellation of Scheme Membership

The Board may, by special resolution, cancel the Membership of a Scheme Member by giving that Scheme Member notice in writing to that effect, where the Scheme Member:-

38.1 fails to comply with the duty of utmost good faith; or

38.2 fails to comply with the duty of disclosure; or

38.3 has made a representation to the Scheme during negotiations for and before the commencement date of its Scheme Membership (or any subsequent renewal of Scheme Membership); or

38.4 has made any fraudulent claim to the Scheme or under any contract of insurance; or

38.5 fails to show sufficient cause to the contrary in response to a notice issued pursuant to clause 37 of these Rules.

39. Effective Date of Cancellation

A notice of cancellation takes effect at:-

39.1 the time when a Policy of Insurance between the Scheme Member and an Insurer, being a Policy of Insurance that is intended by the Scheme Member to replace its cover under the Scheme, is entered into; or

39.2 4.00 pm on the 30th business day after the day on which notice was given to the Scheme Member (or such later time as specified in the notice);

whichever occurs first.

40. Effect of Cancellation

Upon a notice of cancellation taking effect:-

40.1 from that date the defaulting Scheme Member shall have no right to claim against the pooled cover or the Indemnity Cover cover in respect of:-

40.1.1 any claim in respect of any event occurring after that date; or

40.1.2 any claim first made against the defaulting Scheme Member after that date, or circumstance that the defaulting Scheme Member becomes aware of that may give rise to a claim being made against the defaulting Scheme Member after that date; or

40.1.3 in a case where indemnity, where already granted, is customarily on a claims made basis, any claim made on the defaulting Scheme Member after that date; and

40.2. from that date the defaulting Scheme Member shall have no right to claim against the pooled cover or the Indemnity Cover cover in respect of any claim made upon it after that date and the Protection Wording is cancelled accordingly; and

40.3 such cancellation nevertheless does not otherwise affect entitlement to cover for any claim already indemnified by the Board and a claim has been made on the defaulting Scheme Member before that date, nor vary or waive the obligations of the defaulting Scheme Member to comply with the provisions of these Rules in respect of any Fund Year during which the defaulting Scheme Member was a Member of the Scheme.

41. Additional Contribution to Cover Cost Of Default

In the event that a Scheme Member is in default for payment of a contribution or in any other way whereby the Scheme suffers any financial loss or incurs additional expense the Board may as an alternative to cancellation require the defaulting Scheme Member to pay to the Scheme an additional contribution in an amount to be determined by the Board to reimburse the Scheme for the loss or the additional expense.

42. Additional Contribution For Additional Risks

In the event that a Scheme Member fails to comply with the direction of the Board and, in so doing, in the opinion of the Board exposes the Scheme to an increased, additional or readily avoidable risk, the Board may as an alternative to cancellation:-

42.1 require the Scheme Member to pay an additional contribution to cover that risk; or

42.2 exclude that risk from the pooled cover and the Indemnity Cover applicable to that Scheme Member; or

42.3 otherwise limit the exposure of the Scheme and the Primary Insurer or Primary Insurers to such risk.

43. Set-Off Against Monies Due to The Scheme Member

In the event that a Scheme Member is otherwise entitled to a distribution or return of any surplus of any Fund, any amount due to a defaulting Scheme Member will be set-off against:-

43.1 any contribution or other monies due but unpaid by the defaulting Scheme Member to the Scheme; and

43.2 any loss or expense incurred by the Scheme by, through or in connection with the defaulting Scheme Member.

2005–06 Fund Year Membership

Ashburton District Council
 Auckland City Council
 Auckland Regional Council
 Banks Peninsula District Council *
 Buller District Council
 Carterton District Council
 Central Hawkes Bay District Council
 Central Otago District Council
 Chatham Islands Council
 Christchurch City Council *
 Clutha District Council
 Environment BOP
 Environment Canterbury
 Environment Southland
 Environment Waikato
 Far North District Council
 Franklin District Council
 Gisborne District Council
 Gore District Council
 Grey District Council
 Hamilton City Council
 Hastings District Council
 Hauraki District Council
 Hawkes' Bay Regional Council
 horizons.mw
 Horowhenua District Council
 Hurunui District Council
 Hutt City Council
 Invercargill City Council
 Kaikoura District Council
 Kaipara District Council

Kapiti Coast District Council
 Kawerau District Council
 Mackenzie District Council
 Manawatu District Council
 Manukau City Council
 Marlborough District Council
 Masterton District Council
 Matamata-Piako District Council
 Napier City Council
 Nelson City Council
 New Plymouth District Council
 North Shore City Council
 Northland Regional Council
 Opotiki District Council
 Otago Regional Council
 Otorohanga District Council
 Palmerston North City Council
 Papakura District Council
 Porirua City Council
 Queenstown Lakes District Council
 Rangitikei District Council
 Rodney District Council
 Rotorua District Council
 Ruapehu District Council
 Selwyn District Council
 South Taranaki District Council
 South Waikato District Council
 South Wairarapa District Council
 Southland District Council
 Stratford District Council
 Taranaki Regional Council

Tararua District Council
 Tasman District Council
 Taupo District Council
 Tauranga District Council
 Timaru District Council
 Upper Hutt City Council
 Waikato District Council
 Waimakariri District Council
 Waimate District Council
 Wairoa District Council
 Waipa District Council
 Waitakere City Council
 Waitaki District Council
 Waitomo District Council
 Wanganui District Council
 Wellington City Council
 West Coast Regional Council
 Western Bay of Plenty District Council
 Westland District Council
 Whakatane District Council
 Whangarei District Council

Membership enquiries are welcome and should be referred to:

The Scheme Manager
 New Zealand Mutual Liability RiskPool
 P O Box 11–145
 Wellington
 Attention: Paul Carpenter
 Telephone: 04 495 8228
 Facsimile: 04 495 8177
 E-mail: paul.carpenter@jltgroup.co.nz

* Banks Peninsula District Council and Christchurch City Council amalgamated in March 2006.

Local Government Mutual Funds Trustee Limited Directory

Registered Office	9th Floor Local Government Building 114 Lambton Quay Wellington
Directors	Michael Ross (Chairman) Oamaru Ray Andrew Auckland Roger Duncan North Shore (To June 2006) Bob Lineham Christchurch Tim Sole Wellington Bryan Taylor Auckland Denis Sheard Waitakere (From June 2006)
Scheme Manager	Jardine Lloyd Thompson Limited
Fund Manager	Civic Assurance
Scheme Solicitors	Heaney & Co
Scheme Auditors	Deloitte Touche Tohmatsu

