



ANNUAL REPORT

2015



CONTENTS

Riskpool Mission Statement	1
Chairman's Report	2
Independent Auditor's Report	4
Summary Statements	6
Statement of Financial Performance	8
Statement of Movements in Trust Funds	10
Statement of Financial Position	12
Statement of Cash Flows	14
Notes to the Financial Statements	16
Scheme Rules	27
2014–15 Fund Year Membership	32
Directory	33
Amalgamated Deed of Trust and Deed of Variation of Deed of Trust	34



RISKPOOL | MISSION STATEMENT

- 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, 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

It has been another busy year at Riskpool due in part to the ever changing face of liability and the general ebb and flow of the insurance market. Increased competition from providers has presented us with the opportunity for self-assessment and to ensure that we really are getting the best value for our members. We aim to provide the highest standards in public liability and professional indemnity cover. Owned by local government, we are structured to enable local authorities to self insure public liability and professional indemnity risk at low cost. We ensure sustainability by directly accessing international reinsurance markets on behalf of pool members. The interests of our members are our sole focus.

Faced with increased competition in the approach to renewal we have worked hard with reinsurers to ensure a reduction in contribution for all councils for the coming fund year. This coupled with our life-time-cost approach to claims handling ensures that we have remained the preferred provider for the majority of New Zealand's councils.

In April I was elected Chairman of the Riskpool Board taking over from Jim Palmer who has been Chair for the past two years. On behalf of the Board and staff I would like to thank Jim for all the work he has done and the time he has dedicated to Riskpool. Given his knowledge of the issues surrounding local government and his ongoing involvement in the sector we are very pleased that he is able to remain on the Board as a Director.

Claims numbers have continued in a general downward trend with there now only being 236 open claims. This is in stark comparison to the 951 claims notified in one year at the height of the leaky buildings period during the early

2000s. Of those 236 claims, only 28 are for leaky buildings which gives us confidence that the leaky building saga may be approaching its conclusion. Despite the release of the judgment in *Osborne v Auckland Council* in June 2014 and the subsequent concern that this would cause an influx of newly eligible leaky claims, we have not seen an increase in notifications. Members are to be congratulated on their improved risk management, which not only feeds through into reduced contribution levels, but also means that their ratepayers are enjoying better service.

One of Riskpool's most significant current claims is Southland Stadium, a professional indemnity claim which arose from the collapse of the Stadium following a heavy snowstorm in 2010. This claim was heard in the Christchurch High Court and a judgment was received in August.

The Court found that Invercargill City Council had been negligent in their issue of the Code Compliance Certificate for remedial work carried out on the Stadium and that this had been causative of the loss to the plaintiff. Judgment of nearly \$17 million was awarded to the plaintiff and while the

Council was successful in a cross-claim against the second defendant, receiving a 90 per cent indemnity, due to the pecuniary position of this defendant Council has been left "last man standing". While this claim is fully reinsured and will not have direct repercussions for local authorities, given the quantum involved it may have implications on future reinsurance costs.

The current accounts for Fund Years 1-18 show a deficit of \$2.3 million. This has arisen as a result of an increase in claims reserves. Outstanding claims liabilities show estimates increasing from \$16.49 million at 30 June 2014 to \$29.82 million at 30 June 2015. The majority of the increase is due to the decision in the Southland Stadium claim, which is fully reinsured.

In the past year there has been a real focus on strengthening the relationship between Riskpool's staff and councils throughout the country. The reason to do this is to enable us to better understand and meet your needs as Riskpool members and to encourage feedback on how we might

better our products and services. We strongly encourage councils to approach us directly at any stage if there are queries regarding cover or matters with which we might be able to provide assistance. We pride ourselves on our approachability and the distance we go in assisting members with ad hoc advice.

In April in conjunction with LAPP we were pleased to host the first Riskpool Forum to be held at The Museum of New Zealand Te Papa Tongarewa. The Forum was attended by around sixty representatives from councils across the country. Presentations were given by a variety of speakers and the feedback was unanimous that attendees found the day well worth the trip to Wellington. It is our intention to make this Forum an annual event in order to update both members and non-members on developments at Riskpool, as well as providing a platform for updates from relevant professionals from within the sector.

Riskpool prides itself on the work it does on behalf of local government in setting good legal precedent. Over the year

we have seen the release of a number of judgments that have clarified existing law to the benefit of councils. One of the most notable being the decision in *Henry and Ors v Auckland Council*. This case surrounded the negligent issue of a Land Information Memorandum by the Council. In finding in the Council's favour the High Court passed judgment on a number of points which will serve to simplify the LIM process for councils in future.

The proceedings by Wellington City Council against the Fund which were served in 2014 are ongoing. The Board continues to decline the matter based on Queen's Counsel advice.

We would like to acknowledge the Fund and Scheme Manager, the Claims Manager and the Scheme Solicitor for all their work over the past year which has ensured the smooth running of the Fund. Particular thanks go to Riskpool's General Manager Juliet Martin who stepped down from her position in July after an extended illness. We wish Juliet all the best for her future endeavours.

To all the members of Fund Year 19 we would like to thank you for your ongoing support of the Fund. We remain committed to offering the highest standards in public liability and professional indemnity cover for the local government sector and look forward to being of service to you this year.



Andrew Aitken
Chairman



INDEPENDENT AUDITOR'S REPORT

To the readers of New Zealand Mutual Liability Riskpool's Financial Statements for the year ended 30 June 2015

The Auditor-General is the auditor of New Zealand Mutual Liability Riskpool (the 'Scheme') comprising Fund No.1 to Fund No. 18. The Auditor-General has appointed me, Dave Shadwell, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the Scheme on her behalf.

OPINION

We have audited the financial statements of the Scheme on pages 8 to 26, that comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of movement in trust funds and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Scheme:

- present fairly, in all material respects:
 - its financial position as at 30 June 2015; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards with disclosure concessions.

Our audit was completed on 12 November 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustee and our responsibilities, and explain our independence.

EMPHASIS OF MATTERS - UNCERTAINTIES ASSOCIATED WITH THE OUTSTANDING CLAIMS PROVISION AND REINSURANCE RECEIVABLES

Without modifying our opinion, we draw your attention to Note 7 to the financial statements. The note describes the variables that may affect the outstanding claims provision and related reinsurance receivables. The note also describes the inherent uncertainties involved in estimating those amounts using actuarial assumptions, including in relation to leaky building claims which are subject to a high degree of uncertainty. The valuation of the reinsurance receivables is subject to similar uncertainties as the valuation of the outstanding claims liability.

We consider the disclosures about the above matters to be adequate.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' 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.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Scheme's financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustee;
- the adequacy of the disclosures in the financial statements; and
- the overall presentation of the financial statements.

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

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE TRUSTEE

The Trustee is responsible for the preparation and fair presentation of financial statements for the Scheme that comply with generally accepted accounting practice in New Zealand.

The Trustee's responsibilities arise from clause 6.6.1 of the Trust Deed of the Scheme.

The Trustee is responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Trustee is also responsible for the publication of the financial statements, whether in printed or electronic form.


RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we have carried out assignments in the areas of taxation compliance services, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Scheme.



Dave Shadwell

DELOITTE

On behalf of the Auditor-General
Wellington, New Zealand



NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Summary Statement of Financial Performance for the year ended 30 June 2015

	Note	2015 \$000	2014 \$000
Revenue			
Members' Contributions		4,363	4,424
Contribution to expenses from prior fund years		796	790
Reinsurance Recoveries	8	16,987	2,536
Direct Claims Expense	7	(20,404)	(3,023)
Claims Administration Expense		(796)	(789)
Reinsurance Expense		(2,376)	(1,957)
Net Result for the Period		(1,430)	1,981
Investment Revenue		187	287
Total Revenue		(1,243)	2,268
Expenditure			
Claims Manager's Fee		921	906
Fund & Scheme Manager's Fee	4	907	856
Audit Fees		23	28
Tax Compliance Services		7	14
Consultancy		109	140
Directors' Fees		49	63
Meeting/Travel Expenses		22	18
Marketing		2	-
Directors & Officers Liability Insurance		75	57
Legal Fees		139	91
Printing and Stationery		13	11
Sundry Expenses		2	1
Total Expenditure		2,269	2,185
Net Surplus/(Deficit) before Tax		(3,512)	83
Tax Expense			
Net Surplus/(Deficit) after Tax		(3,512)	83

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

Summary Statement of Movements in Trust Funds for the year ended 30 June 2015

	Note	2015 \$000	2014 \$000
Total Trust Funds at 1 July		1,238	1,155
Net Surplus/(Deficit)		(3,512)	83
Total Trust Funds at 30 June		(2,274)	1,238

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

Summary Statement of Financial Position
as at 30 June 2015

	Note	2015 \$000	2014 \$000
Trust Funds			
Trust Accounts		(2,927)	585
Trust Capital Account		653	653
Total		(2,274)	1,238
Represented by:			
Assets			
Cash	9	2,324	2,030
Short Term Bank Deposits		1,500	5,200
Accrued Interest		3	12
Accounts Receivable		78	216
Prepayments		18	18
Reinsurance Receivable	8	24,054	10,733
Total Assets		27,977	18,209
Current Liabilities			
Accounts Payable		174	413
Taxation Receivable/(Payable)		2	1
GST Receivable/(Payable)		259	65
Total Current Liabilities		435	478
Claims Provision	7	29,816	16,493
Total Liabilities		30,251	16,971
EXCESS/(DEFICIT) ASSETS OVER LIABILITIES		(2,274)	1,238

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

Summary Statement of Cash Flows
for the year ended 30 June 2015

	Note	2015 \$000	2014 \$000
Cash flows from operating activities			
Cash was provided from:			
Members' Contributions		4,427	3,707
Interest Received – Bank		189	274
Reinsurance recoveries received		3,705	2,175
		8,321	6,156
Cash was applied to:			
Reinsurance		(2,394)	(2,425)
Claims Manager's Fee		(921)	(906)
Fund & Scheme Manager's Fee		(918)	(904)
Contribution to expenses from prior fund years		796	790
Legal Fees		(158)	(75)
Claims		(7,957)	(7,991)
Consultants		(120)	(118)
Audit Fees		(36)	(41)
Other Expenses		(201)	(139)
Taxation Refunded / (Paid)		(2)	112
GST Refunded / (Paid)		184	322
		(11,727)	(11,375)
Net Cash inflow/(outflow) from operating activities	6	(3,406)	(5,219)
Net increase/(decrease) in cash held		(3,406)	(5,219)
Opening cash at 1 July		7,230	12,449
Closing cash at 30 June		3,824	7,230
Comprising of:			
Cash		2,324	2,030
Short Term Bank Deposits		1,500	5,200
Total		3,824	7,230

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



NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Statement of Financial Performance for the year ended 30 June 2015

	Note	Fund No. 18 (14–15)		Fund No. 17 (13–14)		Fund No. 16 (12–13)		Fund No. 15 (11–12)		Fund No. 14 (10–11)		Fund No. 13 (09–10)	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue													
Members' Contributions		4,363	-	-	4,424	-	-	-	-	-	-	-	-
Contribution to expenses from prior fund years		796	-	-	790	-	-	-	-	-	-	-	-
Reinsurance Recoveries	8	2,339	-	518	1,144	(154)	171	3	401	16,169	(79)	(13)	690
Direct Claims Expense	7	(3,173)	-	(134)	(1,811)	374	158	510	(814)	(16,251)	59	(10)	(708)
Claims Administration Expense		-	-	(499)	-	(197)	(487)	(31)	(162)	(9)	(58)	(16)	(7)
Reinsurance Expense		(2,376)	-	-	(1,892)	-	-	-	-	-	-	-	-
Net Result for the Period		1,949	-	(115)	2,655	23	(158)	482	(575)	(91)	(78)	(39)	(25)
Investment Revenue		14	-	9	8	3	20	-	12	2	-	(2)	(5)
Total Revenue		1,963	-	(106)	2,663	26	(138)	482	(563)	(89)	(78)	(41)	(30)
Expenditure													
Claims Manager's Fee		921	-	-	906	-	-	-	-	-	-	-	-
Fund & Scheme Manager's Fee	4	907	-	-	856	-	-	-	-	-	-	-	-
Audit Fees		10	-	1	11	1	(4)	1	1	1	1	1	1
Tax Compliance Services		6	-	1	5	-	(2)	-	1	-	1	-	1
Consultancy		121	-	(12)	157	-	(17)	-	-	-	-	-	-
Directors' Fees		51	-	(2)	63	-	-	-	-	-	-	-	-
Meeting/Travel Expenses		22	-	-	15	-	3	-	-	-	-	-	-
Marketing		2	-	-	-	-	-	-	-	-	-	-	-
Directors & Officers Liability Insurance		75	-	-	57	-	-	-	-	-	-	-	-
Legal Fees		19	-	10	44	-	(60)	-	35	-	25	-	-
Printing and Stationery		10	-	3	6	-	5	-	-	-	-	-	-
Sundry Expenses		2	-	-	1	-	-	-	-	-	-	-	-
Total Expenditure		2,146	-	1	2,121	1	(75)	1	37	1	27	1	2
Net Surplus/(Deficit) before Tax		(183)	-	(107)	542	25	(63)	481	(600)	(90)	(105)	(42)	(32)
Tax Expense		-	-	-	-	-	-	-	-	-	-	-	-
Net Surplus/(Deficit) after Tax		(183)	-	(107)	542	25	(63)	481	(600)	(90)	(105)	(42)	(32)

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

Fund No. 12 (08-09)		Fund No. 11 (07-08)		Fund No. 10 (06-07)		Fund No. 9 (05-06)		Fund No. 8 (04-05)		Fund No. 7 (03-04)		Fund No. 6 (02-03)		Fund No. 1-5 (97-02)		TOTAL	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,363	4,424
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	796	790
619	74	(89)	49	(29)	28	(1,182)	99	(501)	(455)	9	(166)	(699)	507	(3)	73	16,987	2,536
(753)	(655)	453	(297)	327	821	(1,348)	(1,194)	(400)	770	(200)	643	127	29	74	(24)	(20,404)	(3,023)
-	(25)	(9)	-	(14)	(6)	(3)	(15)	-	(24)	(12)	-	(6)	-	-	(5)	(796)	(789)
-	-	-	-	-	-	-	(5)	-	(16)	-	(9)	-	(9)	-	(26)	(2,376)	(1,957)
(134)	(606)	355	(248)	284	843	(2,533)	(1,115)	(901)	275	(203)	468	(578)	527	71	18	(1,430)	1,981
-	5	(12)	(12)	(25)	(25)	110	148	11	19	(22)	(8)	86	107	13	18	187	287
(134)	(601)	343	(260)	259	818	(2,423)	(967)	(890)	294	(225)	460	(492)	634	84	36	(1,243)	2,268
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	921	906
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	907	856
1	1	1	1	1	1	1	5	1	1	1	1	1	7	1	1	23	28
-	1	-	1	-	1	-	1	-	1	-	1	-	1	-	1	7	14
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	109	140
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	49	63
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22	18
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75	57
-	-	-	-	-	-	-	-	-	-	110	47	-	-	-	-	139	91
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13	11
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	1
1	2	1	2	1	2	1	6	1	2	111	49	1	8	1	2	2,269	2,185
(135)	(603)	342	(262)	258	816	(2,424)	(973)	(891)	292	(336)	411	(493)	626	83	34	(3,512)	83
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(135)	(603)	342	(262)	258	816	(2,424)	(973)	(891)	292	(336)	411	(493)	626	83	34	(3,512)	83



NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Statement of Movements in Trust Funds for the year ended 30 June 2015

	Note	Fund No. 18 (14–15)		Fund No. 17 (13–14)		Fund No. 16 (12–13)		Fund No. 15 (11–12)		Fund No. 14 (10–11)		Fund No. 13 (09–10)	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Total Trust Funds at 1 July		-	-	542	-	691	754	(867)	(267)	(78)	27	(754)	(722)
Net Surplus/(Deficit)		(183)	-	(107)	542	25	(63)	481	(600)	(90)	(105)	(42)	(32)
Capital Contribution		-	-	-	-	-	-	-	-	-	-	-	-
Total Trust Funds at 30 June		(183)	-	435	542	716	691	(386)	(867)	(168)	(78)	(796)	(754)

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

Fund No. 12 (08-09)		Fund No. 11 (07-08)		Fund No. 10 (06-07)		Fund No. 9 (05-06)		Fund No. 8 (04-05)		Fund No. 7 (03-04)		Fund No. 6 (02-03)		Fund No. 1-5 (97-02)		TOTAL	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
(2,226)	(1,623)	(1,419)	(1,157)	(5,718)	(6,534)	1,806	2,779	2,668	2,376	(2,133)	(2,544)	3,610	2,984	5,116	5,082	1,238	1,155
(135)	(603)	342	(262)	258	816	(2,424)	(973)	(891)	292	(336)	411	(493)	626	83	34	(3,512)	83
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(2,361)	(2,226)	(1,077)	(1,419)	(5,460)	(5,718)	(618)	1,806	1,777	2,668	(2,469)	(2,133)	3,117	3,610	5,199	5,116	(2,274)	1,238



NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Statement of Financial Position as at 30 June 2015

	Note	Fund No. 18 (14–15)		Fund No. 17 (13–14)		Fund No. 16 (12–13)		Fund No. 15 (11–12)		Fund No. 14 (10–11)		Fund No. 13 (09–10)	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Trust Funds													
Trust Accounts		(183)	-	435	542	716	691	(386)	(867)	(168)	(78)	(796)	(754)
Trust Capital Account		-	-	-	-	-	-	-	-	-	-	-	-
Total		(183)	-	435	542	716	691	(386)	(867)	(168)	(78)	(796)	(754)
Represented by:													
Assets													
Cash	9	652	-	268	1,232	93	541	(856)	(809)	130	(97)	(1,378)	(790)
Short Term Bank Deposits		-	-	-	-	-	-	-	-	-	-	-	-
Accrued Interest		-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable		48	-	-	12	27	-	3	10	-	48	-	(22)
Prepayments		-	-	-	-	18	18	-	-	-	-	-	-
Reinsurance Receivable	8	2,339	-	1,661	1,144	1,318	1,572	619	902	16,392	496	1,095	1,108
Total Assets		3,039	-	1,929	2,388	1,456	2,131	(234)	103	16,522	447	(283)	296
Current Liabilities													
Accounts Payable		143	-	4	128	4	13	2	3	3	3	2	221
Taxation Receivable/(Payable)		2	-	-	1	-	-	-	-	-	-	-	-
GST Receivable/(Payable)		(15)	-	(13)	(21)	(93)	(75)	75	56	3	35	(26)	(52)
Total Current Liabilities		130	-	(9)	108	(89)	(62)	77	59	6	38	(24)	169
Claims Provision	7	3,092	-	1,503	1,738	829	1,502	75	911	16,684	487	537	881
Total Liabilities		3,222	-	1,494	1,846	740	1,440	152	970	16,690	525	513	1,050
EXCESS/(DEFICIT) ASSETS OVER LIABILITIES		(183)	-	435	542	716	691	(386)	(867)	(168)	(78)	(796)	(754)

Signed on behalf of the Trustee, Local Government Mutual Funds Trustee Limited on 12 November 2015

Andrew Aitken
CHAIRMAN

Jim Palmer
DIRECTOR

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

Fund No. 12 (08-09)		Fund No. 11 (07-08)		Fund No. 10 (06-07)		Fund No. 9 (05-06)		Fund No. 8 (04-05)		Fund No. 7 (03-04)		Fund No. 6 (02-03)		Fund No. 1-5 (97-02)		TOTAL	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
(2,361)	(2,226)	(1,077)	(1,419)	(5,460)	(5,718)	(618)	1,806	1,777	2,668	(2,615)	(2,279)	2,986	3,479	4,823	4,740	(2,927)	585
-	-	-	-	-	-	-	-	-	-	146	146	131	131	376	376	653	653
(2,361)	(2,226)	(1,077)	(1,419)	(5,460)	(5,718)	(618)	1,806	1,777	2,668	(2,469)	(2,133)	3,117	3,610	5,199	5,116	(2,274)	1,238
(1,970)	(1,746)	(1,078)	(745)	(4,923)	(4,845)	2,354	2,074	1,099	1,371	(3,644)	(3,088)	5,873	3,187	5,704	5,745	2,324	2,030
-	-	-	-	-	-	1,500	2,600	-	-	-	-	-	2,600	-	-	1,500	5,200
-	-	-	-	-	-	3	4	-	-	-	-	-	8	-	-	3	12
-	24	-	58	-	-	-	58	-	28	-	-	-	-	-	-	78	216
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18	18
1,080	964	285	374	-	29	(2,147)	1,556	1,037	1,538	2,362	2,353	(2,209)	(1,528)	222	225	24,054	10,733
(890)	(758)	(793)	(313)	(4,923)	(4,816)	1,710	6,292	2,136	2,937	(1,282)	(735)	3,664	4,267	5,926	5,970	27,977	18,209
2	22	2	5	2	3	2	3	2	3	2	3	2	3	2	3	174	413
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	1
120	137	22	13	89	89	(199)	(391)	(336)	(336)	357	343	201	192	74	74	259	65
122	159	24	18	91	92	(197)	(388)	(334)	(333)	359	346	203	195	76	77	435	478
1,349	1,309	260	1,088	446	810	2,525	4,874	693	602	828	1,052	344	462	651	777	29,816	16,493
1,471	1,468	284	1,106	537	902	2,328	4,486	359	269	1,187	1,398	547	657	727	854	30,251	16,971
(2,361)	(2,226)	(1,077)	(1,419)	(5,460)	(5,718)	(618)	1,806	1,777	2,668	(2,469)	(2,133)	3,117	3,610	5,199	5,116	(2,274)	1,238



NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Statement of Cash Flows for the year ended 30 June 2015

	Note	Fund No. 18 (14-15)		Fund No. 17 (13-14)		Fund No. 16 (12-13)		Fund No. 15 (11-12)		Fund No. 14 (10-11)		Fund No. 13 (09-10)	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash flows from operating activities													
Cash was provided from:													
Members' Contributions		4,418	-	9	3,707	-	-	-	-	-	-	-	-
Interest Received – Bank		14	-	-	8	3	20	-	12	2	-	(2)	(5)
Reinsurance recoveries received		-	-	-	-	100	145	286	-	315	305	-	555
		4,432	-	9	3,715	103	165	286	12	317	305	(2)	550
Cash was applied to:													
Reinsurance		(2,375)	-	-	(1,892)	-	(487)	-	-	-	-	(19)	19
Claims Manager's Fee		(921)	-	-	(906)	-	-	-	-	-	-	-	-
Fund & Scheme Manager's Fee		(907)	-	(11)	(845)	-	(59)	-	-	-	-	-	-
Contribution to expenses from prior fund years		796	-	-	790	-	-	-	-	-	-	-	-
Legal Fees		(19)	-	(29)	(27)	-	60	-	(37)	-	(25)	-	-
Claims		(88)	-	(854)	(83)	(527)	(507)	(350)	(1,625)	(62)	(398)	(560)	(601)
Consultants		(77)	-	(43)	(80)	-	(38)	-	-	-	-	-	-
Audit Fees		(1)	-	(11)	-	(2)	(9)	(2)	(2)	(2)	(2)	(2)	(2)
Other Expenses		(184)	-	(17)	(130)	-	(9)	-	-	-	-	-	-
Taxation Refunded / (Paid)		(1)	-	(1)	-	-	2	-	10	-	1	-	(1)
GST Refunded / (Paid)		(3)	-	(7)	550	(22)	(7)	19	(9)	(26)	(83)	(5)	(37)
		(3,780)	-	(973)	(2,623)	(551)	(1,054)	(333)	(1,663)	(90)	(507)	(586)	(622)
Net Cash inflow/(outflow) from operating activities	6	652	-	(964)	1,092	(448)	(889)	(47)	(1,651)	227	(202)	(588)	(72)
Net increase/(decrease) in cash held		652	-	(964)	1,092	(448)	(889)	(47)	(1,651)	227	(202)	(588)	(72)
Opening cash at 1 July		-	-	1,232	140	541	1,430	(809)	842	(97)	105	(790)	(718)
Closing cash at 30 June		652	-	268	1,232	93	541	(856)	(809)	130	(97)	(1,378)	(790)
Comprising of:													
Cash		652	-	268	1,232	93	541	(856)	(809)	130	(97)	(1,378)	(790)
Short Term Bank Deposits		-	-	-	-	-	-	-	-	-	-	-	-
Total		652	-	268	1,232	93	541	(856)	(809)	130	(97)	(1,378)	(790)

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

Fund No. 12 (08-09)		Fund No. 11 (07-08)		Fund No. 10 (06-07)		Fund No. 9 (05-06)		Fund No. 8 (04-05)		Fund No. 7 (03-04)		Fund No. 6 (02-03)		Fund No. 1-5 (97-02)		TOTAL	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,427	3,707
-	5	(12)	(12)	(25)	(25)	112	144	11	18	(22)	(8)	95	99	13	18	189	274
503	411	-	-	-	-	2,520	(152)	-	-	-	-	(19)	911	-	-	3,705	2,175
503	416	(12)	(12)	(25)	(25)	2,632	(8)	11	18	(22)	(8)	76	1,010	13	18	8,321	6,156
-	-	-	-	-	-	-	(5)	-	(16)	-	(9)	-	(9)	-	(26)	(2,394)	(2,425)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(921)	(906)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(918)	(904)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	796	790
-	-	-	-	-	-	-	-	-	-	(110)	(47)	-	-	-	-	(158)	(75)
(710)	(1,200)	(335)	(239)	(52)	75	(3,650)	(2,387)	(284)	(89)	(436)	115	3	(1,047)	(52)	(5)	(7,957)	(7,991)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(120)	(118)
(2)	(2)	(2)	(2)	(2)	(2)	(2)	(6)	(2)	(2)	(2)	(2)	(2)	(8)	(2)	(2)	(36)	(41)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(201)	(139)
-	-	-	(1)	-	(3)	-	38	-	9	-	1	-	26	-	30	(2)	112
(15)	148	16	(15)	1	1	200	(200)	3	2	14	(20)	9	(7)	-	-	184	322
(727)	(1,054)	(321)	(257)	(53)	71	(3,452)	(2,560)	(283)	(96)	(534)	38	10	(1,045)	(54)	(3)	(11,727)	(11,375)
(224)	(638)	(333)	(269)	(78)	46	(820)	(2,568)	(272)	(78)	(556)	30	86	(35)	(41)	15	(3,406)	(5,219)
(224)	(638)	(333)	(269)	(78)	46	(820)	(2,568)	(272)	(78)	(556)	30	86	(35)	(41)	15	(3,406)	(5,219)
(1,746)	(1,108)	(745)	(476)	(4,845)	(4,891)	4,674	7,242	1,371	1,449	(3,088)	(3,118)	5,787	5,822	5,745	5,730	7,230	12,449
(1,970)	(1,746)	(1,078)	(745)	(4,923)	(4,845)	3,854	4,674	1,099	1,371	(3,644)	(3,088)	5,873	5,787	5,704	5,745	3,824	7,230
(1,970)	(1,746)	(1,078)	(745)	(4,923)	(4,845)	2,354	2,074	1,099	1,371	(3,644)	(3,088)	5,873	3,187	5,704	5,745	2,324	2,030
-	-	-	-	-	-	1,500	2,600	-	-	-	-	-	2,600	-	-	1,500	5,200
(1,970)	(1,746)	(1,078)	(745)	(4,923)	(4,845)	3,854	4,674	1,099	1,371	(3,644)	(3,088)	5,873	5,787	5,704	5,745	3,824	7,230



NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Notes to the Financial Statements for the year ended 30 June 2015

Note 1. Statement of Accounting Policies

REPORTING ENTITY

The New Zealand Mutual Liability Riskpool (the "Scheme") is governed by a Deed of Trust dated 1 July 1997 and the provision of the Deed of Variation of Deed of Trust dated 22 June 2007.

The purpose of the Scheme is to provide professional indemnity and public liability cover to Member local governments and to manage all claims for civil liabilities made against Members. A separate Fund is established for each year providing cover for the period from 4pm 30 June to the following 4pm 30 June.

The Scheme is not an insurer under the Insurance (Prudential Supervision) Act 2010 and is not required to have a credit rating.

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) is the Fund Manager for the Scheme and holds all the shares in LGMFTL in trust for the Members of the Scheme.

STATEMENT OF COMPLIANCE

The financial statements for each fund year have been prepared in accordance with Tier 2 Public Sector Public Benefit Entity (PBE) Standards and disclosure concessions have been applied. The criteria under which the Trust is eligible to report in accordance with Tier 2 PBE Standards are that it is not publicly accountable and is not large.

This is the first set of financial statements presented in accordance with the PBE Standards. There were no financial adjustments required to the comparatives for the period ended 30 June 2014.

GENERAL ACCOUNTING POLICIES

The reporting currency is New Zealand dollars. Income and expenses are accounted for on an accruals basis. The measurement base adopted is that of historical cost except for specific policies as described below.

PARTICULAR ACCOUNTING POLICIES

The following are particular accounting policies which materially affect the measurement of financial performance and financial position. Further particular accounting policies are contained in the relevant notes to the financial statements.

Goods and Services Tax

The financial statements are prepared on a GST exclusive basis except for receivables and payables which are stated inclusive of GST.

Revenue

Members' contributions are recognised in the relevant fund in the year for which they are invoiced.

Financial Instruments

i) Non-derivative financial instruments

A financial instrument is recognised if the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Fund's contractual rights to the cash flows from the financial assets expire or if the Fund transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Bank and Cash Equivalents

Bank and cash equivalents are measured at amortised cost using the effective interest rate and any accrued interest is recorded separately in the Statement of Financial Position.

Receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate.

Financial Liabilities

Financial liabilities include Sundry Creditors and Outstanding Claims. Financial liabilities are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, liabilities are measured at amortised cost.

ii) Offsetting Financial Instruments

Financial assets and liabilities are not offset as there is no legally enforceable right to set-off.

iii) Asset Quality

Impairment of Financial Assets

Financial assets measured at amortised cost are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such condition exists, the asset's recoverable amount is estimated and provision is made for the difference between the carrying amount and the recoverable amount.

As at the date of these Financial Statements, no such evidence of impairment exists.

iv) Fair Value and Carrying Amount of Financial Instruments

The carrying amounts of all financial assets and liabilities are considered to be equivalent to their market value, which for these assets and liabilities is also considered to be fair value.

CHANGES IN ACCOUNTING POLICIES

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

Note 2. 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 temporary timing differences are only recognised to the extent that it is probable that future taxable profit will be available against which the unrecognised temporary difference or unused tax losses can be utilised.

The Scheme has not recognised a deferred tax asset in respect of tax losses of \$5.6M (2014: \$2.9M) as at 30 June 2015. There is no unrecognised deferred tax asset in respect of timing differences at 30 June 2015 (2014: nil).

Note 3. Merger of funds

Prior to 30 June 2009 the Board decided that as all Fund 1 claims had been settled resulting in a small surplus and that Funds 2 – 4 had excess assets over liabilities and it was extremely unlikely to have claims settlements which would result in those excesses turning into deficits, it was appropriate that in exchange for the surplus within each of Funds 1 to 4, that Fund 5 (2001-02) accept any losses not recoverable by reinsurance on the operations of Funds 1 to 4 and that the surplus remaining in Funds 1 to 4 be applied by way of transfer to Fund 5 on or before 30 June 2009.

Note 4. Related parties

During the reporting period the Scheme had related party transactions with Civic who is the Fund and Scheme Manager and a Reinsurer for the Scheme and holds all the shares in LGMFTL in trust for the Members of the Scheme.

In addition the Board of Directors of the Trustee consists of a number of Chief Executive Officers of Member local governments who transact with the Scheme.

During the year the Scheme paid administration fees to Civic of \$0.907M (2014: \$0.845M). The balance outstanding at balance date for Civic was nil (2014: \$0.011M). The Scheme received reinsurance receipts of \$0.798M (2014: \$1.045M). Reinsurance receivable from Civic at balance date is \$nil (2014: \$0.23M). There are no guarantees or other commitments with Civic.

Note 5. Contingent liabilities and commitments

Other than possible future liabilities in respect of claims which have not yet been notified, the Scheme had no contingent liabilities at 30 June 2015 (2014: Nil).

The Scheme had no capital or operating lease commitments at 30 June 2015 (2014: Nil).



NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Notes to the Financial Statements for the year ended 30 June 2015 *(continued)*

Note 6. Reconciliation of Net Surplus/(Deficit) to Net Cash Flows from Operating Activities

Statement of Cashflows Accounting Policy:
The Statement of cash flows is prepared on a GST exclusive basis which is consistent with the Statement of Financial Performance.

a) Cash is considered to be cash on hand and current accounts in banks, net of overdrafts, and short term bank deposits.

b) Investing activities are those relating to the acquisition, holding and disposal of investments.

c) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Scheme.

d) Operating activities include all transactions and other events that are not investing or financing activities.

	Fund No. 18 (14–15)		Fund No. 17 (13–14)		Fund No. 16 (12–13)		Fund No. 15 (11–12)		Fund No. 14 (10–11)		Fund No. 13 (09–10)	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Net Surplus/(Deficit)	(183)	-	(108)	542	25	(63)	481	(600)	(90)	(105)	(42)	(32)
Add/(less) non cash items												
Claims Provision	753	-	(752)	594	(419)	(696)	(553)	(1,042)	302	24	(332)	(221)
	753	-	(752)	594	(419)	(696)	(553)	(1,042)	302	24	(332)	(221)
Add/(less) movements in other working capital items												
Accrued Interest	-	-	-	-	-	-	-	-	-	-	-	-
GST Receivable	(15)	-	7	(21)	(18)	2	18	(9)	(32)	(76)	27	(68)
Taxation Receivable	2	-	-	1	-	2	-	10	-	-	-	(1)
Interfund Payable/Receivable	-	-	-	-	-	-	-	-	-	-	-	-
Trust Income Distribution	-	-	-	22	-	-	-	-	-	-	-	-
Prepayments	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Tax	-	-	-	-	-	-	-	-	-	-	-	-
Contribution received in advance	-	-	-	(4,424)	-	-	-	-	-	-	-	-
Accounts Receivable	(48)	-	12	4,251	(29)	35	8	(10)	47	(45)	(21)	32
Accounts Payable	143	-	(123)	127	(7)	(169)	(1)	-	-	-	(219)	218
	82	-	(104)	(44)	(54)	(130)	25	(9)	15	(121)	(213)	181
Net Cash inflow/(outflow) from operating activities	652	-	(964)	1,092	(448)	(889)	(47)	(1,651)	227	(202)	(587)	(72)

Fund No. 12 (08-09)		Fund No. 11 (07-08)		Fund No. 10 (06-07)		Fund No. 9 (05-06)		Fund No. 8 (04-05)		Fund No. 7 (03-04)		Fund No. 6 (02-03)		Fund No. 1-5 (97-02)		TOTAL	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
(136)	(603)	341	(262)	258	816	(2,424)	(973)	(891)	292	(335)	411	(493)	626	82	34	(3,515)	83
(76)	(185)	(738)	59	(336)	(768)	1,356	(1,428)	592	(398)	(233)	(361)	564	(720)	(122)	(49)	6	(5,191)
(76)	(185)	(738)	59	(336)	(768)	1,356	(1,428)	592	(398)	(233)	(361)	564	(720)	(122)	(49)	6	(5,191)
-	-	-	-	-	-	1	(4)	-	-	-	-	8	(8)	-	-	9	(12)
(16)	150	8	(8)	2	1	191	(193)	-	5	14	(21)	9	(8)	-	-	195	(246)
-	-	-	-	-	(3)	-	38	-	9	-	1	-	26	-	30	2	113
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,424)
24	(14)	58	(57)	(1)	-	57	(8)	28	14	(1)	-	(1)	50	-	-	133	4,248
(20)	14	(2)	(1)	(1)	-	(1)	-	(1)	-	(1)	-	(1)	(1)	(1)	-	(235)	188
(12)	150	64	(66)	-	(2)	248	(167)	27	28	12	(20)	15	59	(1)	30	104	(111)
(224)	(638)	(333)	(269)	(78)	46	(820)	(2,568)	(272)	(78)	(556)	30	86	(35)	(41)	15	(3,405)	(5,219)



NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Notes to the Financial Statements for the year ended 30 June 2015 *(continued)*

Note 7. Claims

	Fund No. 18 (14–15)		Fund No. 17 (13–14)		Fund No. 16 (12–13)		Fund No. 15 (11–12)		Fund No. 14 (10–11)		Fund No. 13 (09–10)	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cumulative Claims Experience												
Claims paid – Prior year(s)	-	-	83	-	563	53	1,918	463	1,174	831	2,124	1,330
Claims paid – Current year	81	-	368	83	299	511	325	1,455	53	343	355	794
Claims Provision – Undiscounted	3,201	-	1,545	1,955	858	1,665	79	1,045	17,695	547	567	989
Risk Margin – 75% PoA	-	-	-	-	-	-	-	-	-	-	-	-
Discounting	(109)	-	(42)	(217)	(29)	(163)	(4)	(134)	(1,011)	(60)	(30)	(108)
Gross claims incurred (Paid and estimated)	3,173	-	1,954	1,821	1,691	2,066	2,318	2,829	17,911	1,661	3,016	3,005
Less reinsurance received	-	-	-	-	(245)	(145)	(286)	-	(1,335)	(1,061)	(800)	(800)
Less reinsurance recoverable	(2,339)	-	(1,661)	(1,144)	(1,318)	(1,572)	(619)	(902)	(16,392)	(496)	(1,095)	(1,108)
Total Net Claims	834	-	293	677	128	349	1,413	1,927	184	104	1,121	1,097
Claims Reconciliation												
Claims Provision 1 July	-	-	1,738	-	1,502	2,170	911	1,552	487	889	881	968
Claims paid – Current year	(81)	-	(368)	(83)	(299)	(511)	(325)	(1,455)	(53)	(343)	(355)	(794)
Reinsurance recoveries received	-	-	-	-	100	145	286	-	273	347	-	555
Current year's claims received	3,173	-	-	1,821	-	-	-	-	-	-	-	-
Current year's reinsurance recoverable	(2,339)	-	-	(1,144)	-	-	-	-	-	-	-	-
Reassessment of prior years claims	-	-	(385)	-	(220)	(329)	(514)	413	82	19	24	19
Movement in reinsurance recoveries	2,339	-	518	1,144	(254)	27	(283)	401	15,895	(425)	(13)	133
Claims Provision at 30 June	3,092	-	1,503	1,738	829	1,502	75	911	16,684	487	537	881

The Future Claims Administration Expense reflects the level of claims being handled. The table below shows the respective reserves for future claims administration expenses included in the claims provision.

Future Claims Administration Reserve	726	-	182	681	35	232	10	41	20	29	25	41
---	------------	----------	------------	------------	-----------	------------	-----------	-----------	-----------	-----------	-----------	-----------

Fund No. 12 (08–09)		Fund No. 11 (07–08)		Fund No. 10 (06–07)		Fund No. 9 (05–06)		Fund No. 8 (04–05)		Fund No. 7 (03–04)		Fund No. 6 (02–03)		Fund No. 1–5 (97–02)		TOTAL	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
7,218	6,041	5,541	5,353	12,840	12,921	30,567	28,195	21,261	21,179	16,604	16,720	23,159	22,063	15,144	15,144	138,196	130,293
712	1,177	375	188	37	(81)	3,696	2,373	309	82	421	(116)	(9)	1,095	51	-	7,073	7,904
1,336	1,303	226	1,099	353	783	2,512	5,468	638	645	750	1,010	317	476	566	631	30,643	17,616
84	145	45	141	111	128	145	110	87	30	114	144	40	24	100	188	727	911
(71)	(139)	(11)	(152)	(17)	(101)	(131)	(704)	(31)	(73)	(36)	(102)	(13)	(38)	(15)	(43)	(1,550)	(2,034)
9,279	8,527	6,176	6,629	13,324	13,650	36,789	35,442	22,264	21,863	17,853	17,656	23,494	23,620	15,846	15,920	175,089	154,690
(1,000)	(498)	-	-	(260)	(260)	(21,354)	(18,834)	(7,128)	(7,128)	(1,749)	(1,749)	(24,663)	(24,682)	(4,867)	(4,867)	(63,687)	(60,024)
(1,080)	(964)	(285)	(374)	-	(29)	2,147	(1,556)	(1,037)	(1,538)	(2,362)	(2,353)	2,209	1,528	(222)	(225)	(24,054)	(10,733)
7,199	7,065	5,891	6,255	13,064	13,361	17,582	15,052	14,099	13,197	13,742	13,554	1,040	466	10,757	10,828	87,348	83,933
1,309	1,831	1,088	979	810	1,550	4,874	6,052	602	1,454	1,052	1,579	462	1,586	777	753	16,493	21,363
(712)	(1,177)	(375)	(188)	(37)	81	(3,696)	(2,373)	(309)	(82)	(421)	116	9	(1,095)	(51)	-	(7,073)	(7,904)
502	412	-	-	-	-	2,520	(152)	-	-	-	-	(19)	911	-	-	3,662	2,218
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,173	1,821
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,339)	(1,144)
133	580	(364)	247	(298)	(850)	2,530	1,096	901	(316)	188	(477)	573	(536)	(72)	(49)	2,578	(183)
117	(337)	(89)	50	(29)	29	(3,703)	251	(501)	(454)	9	(166)	(681)	(404)	(3)	73	13,322	322
1,349	1,309	260	1,088	446	810	2,525	4,874	693	602	828	1,052	344	462	651	777	29,816	16,493

55	46	20	29	15	29	30	33	15	8	25	37	15	21	15	12	1,188	1,239
----	----	----	----	----	----	----	----	----	---	----	----	----	----	----	----	-------	-------



NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Notes to the Financial Statements for the year ended 30 June 2015 *(continued)*

Note 7. Claims *(continued)*

Claims

Accounting Policy: All claims are provided for when notified and claims provisions are recognised at management's best estimate of future expected claims costs. The claims provision includes provision for future expected claims settlement, incurred but not reported claims, and incurred but not enough reported. It also includes expected future claims handling costs.

The claims provision is measured as the central estimate of expected future payments relating to claims incurred at the reporting date. The expected future payments include those in relation to claims incurred but not enough reported ("IBNER"). These claims are discounted in the financial statements at the average expected term to settlement.

Claims expense represents claim payments adjusted for movement in the claims provision. The estimation of the claims provision involves a number of key assumptions and is the most critical accounting estimate. Risk margins are held to allow for uncertainty surrounding the outstanding claims liability estimation process. Potential uncertainties include those relating to the actuarial models and assumptions, the quality of the underlying data used in the models, general statistical uncertainty and the general environment.

The risk margin is applied to the net central estimates in order to arrive at an overall net provision that is intended to provide a probability of sufficiency of 75%.

The Directors take all reasonable steps to ensure that they have appropriate information regarding claims exposures. External actuarial advice is sought and the use of other experts is used to assess open claims. However, given the uncertainty in establishing the liability, it is likely that the final outcome will be different from the original liability established. Changes in claims estimates impact profit and loss in the year in which the estimates are changed.

Central Estimate of Claims Provision

As at 30 June 2015 the central estimate of the claims provision was evaluated by Jeremy Holmes (Fellow of the NZ Society of Actuaries) of Melville Jessup Weaver in accordance with the requirements of NZ Society of Actuaries: *Professional Standards No. 4 General Insurance Business*. The actuaries are satisfied as to the nature, sufficiency and accuracy of data used in the calculation of the outstanding claims liability.

The estimation of the claims provision is based on a claim by claim stochastic methodology adjusted for the impact of individual claim excess, excess of loss reinsurance, stoploss reinsurance and member's aggregate claim limits. Key assumptions used are inflation and discount rates, finalisation pattern, zero/non-zero claim probabilities and claim severity.

The interest rates used for discounting were gross yields to redemption of NZ government debt of appropriate duration taken from the NZ Debt Management office website. The rates range from 3.14% to 4.16% with duration to payment of 0.25 to 19.75 years. The mean interest rate is 2.96% with a mean duration to payment of 1.65 years.

The estimation of the claims provision is subject to a level of uncertainty. For 'leaky building' claims, the estimation is subject to a greater degree of uncertainty due to the nature of the claims, which are variable in size and settle over a longer term. The claims provision is considered the Fund Manager's best estimate as at the date of the signed accounts, but should be viewed in respect of the uncertainties.

Areas of estimation uncertainties

Many assumptions were made in arriving at the estimated figure of the claims provision and related reinsurance receivables. The final outcome will depend on many variables including the percentage of WHRS (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 known relevant factors and draws on Riskpool's historical experience of these types of claims and external actuarial advice. The figure invariably will be subject to upwards or downwards adjustments in the future as claims are resolved.

Additional sources of uncertainty relating to leaky buildings include unpredictable court outcomes and political interventions. A trend towards a reduced number of defendants to leaky claims is leaving councils under joint and several liability and are therefore liable for higher costs. Claims are now highly dependent on a relatively small number of large claims and defendants often choosing to keep information confidential for as long as possible. Some potential claims may not yet be recognised and multi-unit claims are not separately identified.

On 11 October 2012 the Supreme Court gave a decision in the Spencer on Byron case which affirmed that a council owes the same duty of care for building inspections to non-residential property owners as it does to residential owners. Since then there has been one notification made to Riskpool which was of nominal cost. The full future effect of this decision has not been, and cannot be, determined.

Review of Assumptions

The normal review of assumptions in the year to 30 June 2015 includes interest discounting, finalisation patterns, zero/non-zero claim probabilities and case estimate credibility assumptions.

The most sensitive assumption is the case estimate credibility. If each of the case estimate credibility factors were decreased by 10% the baseline discounted 75% PoA outstanding claims net of reinsurance would increase by \$0.725M. Similarly a 10% increase would result in a \$0.722M decrease.



NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Notes to the Financial Statements for the year ended 30 June 2015 *(continued)*

Note 8. Reinsurance

Reinsurance Recoveries Accounting Policy:

Reinsurance recoveries are provided for when the claims incurred exceed the reinsurance excess level. These debtors are stated at estimated realisable value.

Reinsurance Receivable Reconciliation

	Fund No. 18 (14–15)		Fund No. 17 (13–14)		Fund No. 16 (12–13)		Fund No. 15 (11–12)		Fund No. 14 (10–11)		Fund No. 13 (09–10)	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Reinsurance Receivable 1 July	-	-	1,144	-	1,572	1,544	902	502	496	922	1,108	974
Reinsurance recoveries received	-	-	-	-	(100)	(145)	(286)	-	(273)	(347)	-	(555)
Current year's reinsurance recoverable	2,556	-	672	1,287	(32)	368	60	513	16,196	(17)	89	827
Reinsurance Receivable - Undiscounted at 30 June	2,556	-	1,816	1,287	1,440	1,767	676	1,015	16,419	558	1,197	1,246
Discounting	(217)	-	(155)	(143)	(122)	(195)	(57)	(113)	(27)	(62)	(102)	(138)
Reinsurance Receivable - Discounted at 30 June	2,339	-	1,661	1,144	1,318	1,572	619	902	16,392	496	1,095	1,108

Individual excess of loss and stoploss reinsurance is organised on a Fund Year basis.

Included in the reinsurance recoveries is an amount following a commutation with Swiss Re of the first layer of reinsurance and a portion of the upper layers for fund years 3 to 10. There is reinsurance for the remainder of the higher layers. Each Fund entered into a reinsurance contract with the effect that the Funds had maximum claims paying exposure of: Fund 1 \$2M, Fund 2 \$2.5M, Funds 3, 4 & 5 \$3M, Fund 6 \$3.25M, Fund 7 \$3.5M, Funds 8 & 9 \$4M, Fund 10 \$6M, Fund 11 \$1.5M, Fund 12 \$1.625M, Fund 13 \$1M, Fund 14 \$0, Fund 15 \$1.35M and Funds 16 to 18 \$0. Refer to the commutation comment above. However Funds 7 to 9 do not have reinsurance cover for WHRS "leaky homes" claims and Funds 10 and thereafter do not have reinsurance cover for any "leaky homes" claims. All claims for Funds 14 and 16 to 18 are covered by reinsurance. There are 22 low risk members that were covered for WHRS and Non-WHRs claims for fund years 13 to 18, these risks being fully reinsured.

Fund No. 12 (08–09)		Fund No. 11 (07–08)		Fund No. 10 (06–07)		Fund No. 9 (05–06)		Fund No. 8 (04–05)		Fund No. 7 (03–04)		Fund No. 6 (02–03)		Fund No. 1–5 (97–02)		TOTAL	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
964	1,301	374	325	29	-	1,556	1,306	1,538	1,992	2,353	2,519	(1,528)	(1,125)	225	152	10,732	10,412
(502)	(412)	-	-	-	-	(2,520)	152	-	-	-	-	19	(911)	-	-	(3,663)	(2,218)
718	195	(63)	96	(29)	-	(1,382)	292	(405)	(262)	228	128	(905)	29	18	101	17,721	3,557
1,180	1,084	311	421	-	-	(2,346)	1,750	1,133	1,730	2,581	2,647	(2,414)	(2,007)	243	253	24,792	11,751
(100)	(120)	(26)	(47)	-	29	199	(194)	(96)	(192)	(219)	(294)	205	479	(21)	(28)	(738)	(1,018)
1,080	964	285	374	-	29	(2,147)	1,556	1,037	1,538	2,362	2,353	(2,209)	(1,528)	222	225	24,054	10,733



NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Notes to the Financial Statements for the year ended 30 June 2015 *(continued)*

Note 9. Financial Instruments

Financial Assets and Liabilities

The carrying amounts of all financial assets and liabilities are considered to be equivalent to their market value, which for these assets and liabilities is also considered to be fair value. All fixed interest investments were managed around a 90 day duration and carry a minimum Standard and Poor's credit rating of "A1" or equivalent.

Carrying value of Financial Assets and Financial Liabilities

	2015	2014
	\$000	\$000
Financial Asset: Loans and Receivables		
Bank & Cash Equivalents	3,824	7,230
Sundry Debtors	99	246
Reinsurance Receivable	24,054	10,733
Total Loans and Receivables	27,977	10,979
Financial Liability: Amortised Cost		
Accounts Payable	176	414
Total Amortised Cost	176	414

Note 10. Subsequent Events

In August 2015 a judgment was reached in the claim relating to Southland Stadium (Fund Year 14). Invercargill City Council was found liable for 10% of the judgment sum of \$17M however it is unlikely that the other party will be able to fund any material component of the remaining 90% leaving Invercargill City to fund the entire \$17M. Due to the timing of the judgment any further action is yet to be determined. Fund Year 14 is fully reinsured therefore any liability falls to Riskpool's offshore reinsurers.

In September 2015 a judgment was reached resulting in an adverse development on a previously settled un-reinsured WHRS claim. These financial accounts have been adjusted accordingly for both events.

In 2014 proceedings were served against the Scheme by Wellington City Council with regard to a claim where cover was declined on legal advice. At this stage the outcome of the dispute cannot be determined consequently no provision has been made in the financial accounts.

There have been no other material events after 30 June 2015 that requires adjustment to or disclosure in the financial statements.

Note 11. Going Concern

These financial statements have been prepared on a going concern basis.

For Funds 7, 10 to 15 and 18, while the total liabilities exceed total assets indicating a shortfall in equity, a going concern basis is appropriate because the Trustee is able to levy the members of the Funds to cover any shortfall in equity in any Fund under the terms of the Deed of Trust. In addition, the Scheme provides mutual protection from risk on a discretionary basis, insofar as the Trustee has the ability to not pay a claim if the individual Funds of the Scheme are not in a position to do so. The Trustee also has the ability, under certain circumstances, to merge several of the Funds thus reducing or eliminating any deficit.

The ongoing viability of the Scheme is dependent on member support and on continuing to obtain cost effective reinsurance for those members. Although there has been a drop in membership over the last two years, this will be offset by a decrease in the cost of reinsurance and managers' fees. There are a small number of open leaky claims (the number of open claims continues to trend downwards with only 28 leaky claims open).



SCHEME RULES

1. DEFINITIONS

In these Rules:

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

'Coverage' is defined in Rule 8;

'Claim' means any claim made under the Protection Wording;

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

'Fund' means each separate annual fund established pursuant to clause 4 of the Deed of Trust; **'Fund Year'** has a corresponding meaning; the first Fund Year is from 4.00 pm on 30 June 1997 to 4.00 pm on 30 June 1998; 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;

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

'Member' means any person or body (whether incorporated or not) admitted as a member of the Scheme pursuant to clause 11.1 of the Deed of Trust and these Rules;

'Membership' has a corresponding meaning;

'Protection Wording' means, in relation to any particular Member and Fund Year, the combined liability protection wording issued to that Member by the Scheme setting out the risks covered by the Scheme and the terms, conditions

and limits in respect of those risks: this term equates to the term *'Guidelines'* in clause 8.1 of the Deed of Trust;

'Scheme' means the scheme more formally known as the New Zealand Mutual Liability Riskpool;

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

2. PURPOSE AND STATUS OF RULES

2.1 The purpose of these Rules is to set out the administrative mechanisms by which the Scheme is administered so as to put the purpose and intent of the Deed of Trust into effect.

2.2 In the case of conflict between the provisions of the three principal constituent documents of the Scheme, which are the Deed of Trust, these Rules and the Protection Wording, the Deed of Trust shall prevail over the Scheme's Rules which shall prevail over the Protection Wording.

3. OFFER OF MEMBERSHIP AND NOTICES

3.1 An offer of Membership may be made to any organisation or person approved for admission by the Board.

3.2 Membership of the Scheme is by Fund, so one Member may hold one or more Memberships.

3.3 Not later than 50 days prior to the end of a Fund Year, the Board shall provide written notice to each Member of that Fund advising whether that Member will be offered Membership for the next Fund Year and if so,

an indication of the initial contribution payable by that Member in respect of that Fund Year.

3.4 An offer to become a Member of a Fund must include:

- a) A copy of the Protection Wording unless this has already been provided;
- b) A copy of the Deed of Trust unless this has already been provided;
- c) An up-to-date copy of these Rules unless this has already been provided; and
- d) An indication of the initial contribution payable for the new Fund Year as determined by the Board.

3.5 Members offered Membership in the notice referred to in Rule 3.3 who do not accept that Membership shall give the Scheme Manager written notice of this decision prior to the later of:

- a) 20 days after receiving the notice; and
- b) 30 days prior to the start of the new Fund Year.

3.6 If a Member fails to give the notice described in Rule 3.5 within the required time frame, then the Member must reimburse the Scheme within 20 days for its share of reinsurance and other expenses that have or will be incurred by the Scheme because of the Scheme's expectation of that Member's participation. The amount to be reimbursed will be 25% of the initial contribution that the Member would have paid for Membership of the next Fund Year, being a reasonable pre-estimate of the reimbursement required.

4. ACCEPTANCE OF MEMBERSHIP OFFER

A body becomes a Member of a Fund by:

- a) Notifying the Scheme Manager in writing that it has accepted the offer of Membership; and
- b) Paying the initial contribution for that Fund Year as determined by the Board within 20 days of the start of the Fund Year (or for such longer period as determined by the Board) failing which, unless otherwise determined by the Board, the offer of Membership lapses.

5. MEMBERSHIP OBLIGATIONS

5.1 By its acceptance of an offer of Membership a Member agrees that:

- a) The Deed of Trust and these Rules as amended from time to time constitute a contract between the Scheme and the Member subject to Rule 5.3;
- b) The Member will be bound by the Deed of Trust and these Rules as amended from time to time and perform the obligations of a Member under the same accordingly;
- c) The Member will make available to the Scheme Manager or Fund Manager all information and data which the Scheme Manager or Fund Manager reasonably requires in order to determine the claims and risk management experience of the Member for the purpose of assessing contributions;
- d) The Scheme Manager shall be permitted (but not obligated) to carry out a risk management

audit or otherwise inspect the Member's property and operations at any time; and

- e) The Scheme Manager may examine and audit the 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).

5.2 For the avoidance of doubt, the contract the subject of Rule 5.1 (a) is a contract between a Member and the Scheme only and the contract does not create, as between a Member and any other Member or Members, any joint rights or obligations or any mutual rights or obligations.

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

- a) Anything in any way contrary to Rule 5.2; or
 - b) That the Scheme is constituted a joint or mutual agent for its Members or any of them –
- that provision is, to that extent, inoperative and does not form part of the legal relationship between a Member and the Scheme.

6. END OF MEMBERSHIP

6.1 Membership ends when and only when the Fund is closed.

6.2 The Board shall determine when a Fund and its accounts will be closed and final results for the Fund determined and declared.

6.3 Except in the event of the Scheme being wound up, no Member has any entitlement to be paid any amount on account of surplus for a Fund unless:

- a) The accounts for the Fund have been closed and final results determined and declared; and
- b) The Board has determined that a distribution or return should be paid to Members in respect of that Fund.

6.4 In the event that a Member is entitled to a distribution of a Fund's surplus, any amount due will be set-off against:

- a) Any contribution or other monies due but unpaid by the Member to the Scheme; and
- b) Any unrecovered loss or expense incurred by the Scheme by, through or in connection with the Member.

7. MEMBERS' CONTRIBUTIONS

7.1 Members' contributions are determined by the Board.

7.2 In the event that a Member fails to comply with the Deed of Trust, these Rules or a direction from the Board and in so doing, in the opinion of the Board, exposes the Scheme to an increased, additional or readily avoidable risk or financial loss (including loss of interest) or additional expense the Board may:

- a) Require the Member to top up its initial contribution to the relevant Fund to cover that increased, additional or readily avoidable risk; or
- b) Require the Member to pay an additional contribution for the relevant Fund to cover that loss or expense; or
- c) Exclude or limit that increased, additional or readily avoidable risk from the Member's Coverage.

8. COVERAGE (PAYMENT OF CLAIMS)

Subject always to the Deed of Trust and these Rules, the Scheme will indemnify each Member for damages or compensation in accordance with the Protection Wording. This is the definition of 'Coverage'. Coverage is only available once any other insurance has been fully utilised.

9. RECOURSE TO SCHEME ASSETS ONLY

For the payment of any Claim or the performance of any obligation of the Scheme, recourse may be had solely to the relevant Fund and no claim may be made or endorsed by a Member against:

- a) Any Trustee of the Scheme;
- b) Except in the case of negligence or other breach of duty, any employee or agent of the Scheme;
- c) Any other Fund; or
- d) Any person described in clauses 13.1.1 to 13.1.4 of the Deed of Trust.

10. REIMBURSABLE DEDUCTIBLE OR EXCESS

If the Scheme pays a deductible or excess amount referred to in a Protection Wording the Member shall reimburse the Scheme within 14 days of written notice from the Scheme.

11. NOTICE OF CLAIMS

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

- a) 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, irrespective of its quantum; and

- b) Of any change materially affecting or varying any of the facts or circumstances existing at the commencement of Membership that shall come to the knowledge of the Member. A Member's knowledge shall be deemed to include the knowledge of any person whose knowledge would at law be that of the Member.

12. ADMISSIONS NOT TO BE MADE

The 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.

13. INFORMATION TO BE PROVIDED

The Member must provide to 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.

14. GRANT OR REFUSAL OF INDEMNITY

14.1 Subject to clause 8.2 of the Deed of Trust, the Board shall advise the Member as soon as practicable after receipt of a Claim as to whether the Scheme grants or refuses indemnity.

14.2 Without limiting the discretions of the Board under the Deed of Trust, the Scheme may choose not to

indemnify the Member against any Claim or Claim circumstance and may withdraw any indemnity previously granted where the Member has:

- a) Breached or failed to comply with a condition or obligation in the Protection Wording or under the Deed of Trust or these Rules or committed any other act or made any other omission which entitles the Board to reduce or cancel a Member's Coverage under Rule 21; and
- b) The Scheme is prejudiced by that breach, failure, act or omission.

15. SUBROGATION

The Member agrees that in the event of payment of any Claim by the Scheme, the Scheme will be subrogated to all the rights of the Member against any person or other legal entity deemed responsible for the Claim, and in such event, the 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.

16. SETTLEMENT OF CLAIMS

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

16.2 On notifying a Claim or Claim circumstance, the 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.

16.3 The 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 Rule 16.2, but only so far as may reasonably be practical, the 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.

16.4 The Scheme has full discretion to conduct any proceedings in connection with any Claim.

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

16.6 Notwithstanding Rules 16.1, 16.4 and 16.5, a Member shall not be required to contest any legal proceedings unless a solicitor (to be mutually agreed upon by the Member and the Scheme) advises that such proceeding should be contested, with the reasonable probability of success or partial success.

17. MEMBERS' LITIGATION RESPONSIBILITIES

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

- a) if a personal appearance by an elected member, officer or agent of the Member is necessary at any conference, in any Court or elsewhere, the

expense of such an appearance shall be borne or paid by the Member;

- b) The 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;
- c) The Member may, upon notice in writing, prevent a settlement proposed by the Scheme of litigation or a claim brought or made against the Member, but if it does so and the claim is ultimately settled (or judgement is ultimately given) for a higher amount, then notwithstanding Rule 8, the Member must pay as estimated by the Board 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.

18. AUTOMATIC REINSTATEMENT

Upon notification to the Scheme of a Claim, cover under the Protection Wording shall be reinstated for such amount as may be ultimately paid by the Scheme in respect of such Claim up to the limit, if any, imposed by the Protection Wording.

19. CONTRIBUTION FROM OTHER INSURERS

When a loss paid is recoverable under an insurance policy, then the Scheme reserves its rights to seek full recovery from the insurer.

20. NOTICE TO SHOW CAUSE WHY ALL OR SOME COVERAGE SHOULD NOT BE CANCELLED

In the event that a Member (in this Rule referred to as the 'Defaulting Member'):

- a) Fails to comply with the reasonable directions of the Scheme as to the conduct of its operations so as to minimise risks;
- b) Fails to make available to the Scheme Manager or Fund Manager all information and data which either of them reasonably require in order to determine the claim and risk management experience of the Member for the purpose of assessing contributions;
- c) Fails to permit the Scheme Manager to carry out a risk management audit or otherwise inspect the Member's property and operations;
- d) Fails to permit the Scheme Manager to examine and audit the Member's books and records (but only so far as they relate to its Membership(s) of the Scheme or risks covered by the Scheme);
- e) Fails to pay contributions due to the Scheme within the time prescribed by these Rules or by the Board;
- f) Commits any other breach of these Rules which is not remedied within the time specified in a notice to the Defaulting Member - then in that regard the Board may by notice in writing to the Defaulting Member require that it show to the Scheme good cause within 14 days why all or some of its Coverage should not be cancelled.

21. REDUCTION OR CANCELLATION OF COVERAGE

21.1 The Board may, by special resolution, cancel or reduce Coverage for a Member by giving that Member notice in writing to that effect where the Member:

- a) Fails to comply with the duty of utmost good faith;
- b) Fails to comply with the duty of disclosure;
- c) Has made any fraudulent claim to the Scheme or under any contract of insurance; or
- d) Fails to show sufficient cause to the contrary in response to a notice issued pursuant to Rule 20.

21.2 A notice of reduction or cancellation of Coverage takes effect at whichever occurs first between

- a) The time when a policy of insurance between the Member and an insurer, being a policy of insurance that is intended by the Member to replace all or a good proportion of the cancelled Coverage is entered into; and
- b) At 4.00 pm on the 30th day after the day on which notice was given to the Member (or such later time as specified in the notice).

21.3 Cancellation or reduction of Coverage does not vary or waive the obligations of a Member to comply with the Deed of Trust and the provisions of these Rules.

22. REASONABLE CARE BY MEMBERS

Members shall:

- a) Exercise reasonable care that only competent employees are employed;
- b) Take reasonable measures to maintain all premises, fittings and plant in a safe and sound condition;
- c) Take all reasonable precautions to prevent loss or damage to property and personal injury;
- d) Take all reasonable precautions to prevent the manufacture, sale or supply of defective products;
- e) Take all reasonable precautions to prevent the release, issue, tender or supply of defective or erroneous advice or information;
- f) 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
- g) At their 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 Member (including any container thereof other than a vehicle) containing any defect, error or deficiency of which the Member has knowledge or has reason to suspect.

23. SCHEME DOES NOT WARRANT RISK LEVELS

Each 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 Member or others, to determine or warrant that such property or operations are safe or represent any particular level of risk to liability.



2014-15 FUND YEAR MEMBERSHIP

Ashburton District Council
Auckland Council
Carterton District Council
Central Hawke's Bay District Council
Central Otago District Council
Chatham Islands Council
Christchurch City Council
Clutha District Council
Environment Canterbury
Environment Southland
Far North District Council
Gore District Council
Hastings District Council
Hauraki District Council
Hawke's Bay Regional Council
Hurunui District Council
Hutt City Council
Invercargill City Council
Kaikoura District Council
Kaipara District Council
Kapiti Coast District Council
Mackenzie District Council

Marlborough District Council
Masterton District Council
Matamata-Piako District Council
Napier City Council
New Plymouth District Council
Northland Regional Council
Opotiki District Council
Otago Regional Council
Otorohanga District Council
Palmerston North City Council
Porirua City Council
Queenstown Lakes District Council
Ruapehu District Council
Selwyn District Council
Southland District Council
South Taranaki District Council
South Wairarapa District Council
Stratford District Council
Taranaki Regional Council
Tasman District Council
Taupo District Council
Timaru District Council

Waikato Regional Council
Waimakariri District Council
Waimate District Council
Waipa District Council
Wairoa District Council
Waitaki District Council
Waitomo District Council
West Coast Regional Council
Whakatane District Council
Whangarei District Council

Membership enquiries are welcome and should be referred to:

Legal Officer
New Zealand Mutual Liability Riskpool
P O Box 5521, Wellington 6145
Attention: Jane Brown
Telephone: 04 978 1268
Facsimile: 04 978 1260
E-mail: jane.brown@riskpool.org.nz



LOCAL GOVERNMENT MUTUAL FUNDS TRUSTEE LIMITED

DIRECTORY

Registered Office	9th Floor Civic Assurance House 116 Lambton Quay PO Box 5521 Wellington 6145	
Directors	Andrew Aitken (Chairman) Michael Hannan Tony Marryatt Jim Palmer Bryan Taylor (Advisory Director)	Auckland Auckland Hamilton Christchurch Auckland
Scheme & Fund Manager	Civic Assurance	
Claims Manager	Jardine Lloyd Thompson Limited	
Scheme Solicitors	Heaney & Partners	
Scheme Auditors	Dave Shadwell, Deloitte On behalf of the Auditor-General	

NEW ZEALAND LOCAL GOVERNMENT INSURANCE CORPORATION LIMITED

("LGIC")

AND

LOCAL GOVERNMENT MUTUAL FUNDS TRUSTEE COMPANY LIMITED

("Trustee Company")

This document is an amalgamation of the DEED OF TRUST dated 1 July 1997 and the provisions of
the DEED OF VARIATION OF DEED OF TRUST dated 22 June 2007

THIS DEED OF TRUST made the 1st day of July 1997

PARTIES

NEW ZEALAND LOCAL GOVERNMENT INSURANCE CORPORATION LIMITED at Wellington ("LGIC")

LOCAL GOVERNMENT MUTUAL FUNDS TRUSTEE LIMITED ("Trustee Company")

BACKGROUND

- A. LGIC is a Local Authority Trading Enterprise as that term is defined in the Local Government Act 1974.
- B. Trustee Company is a company incorporated under the Companies Act 1993 and is a wholly owned subsidiary of LGIC.
- C. LGIC, in consultation with Jardine, has agreed to establish a Trust pursuant to this deed to provide the Fund and the Scheme (to be known as the New Zealand Mutual Liability Riskpool) for the benefit of the Members of the Scheme and to manage all Claims for Civil Liabilities against the Members of the Scheme which may arise in connection with the exercise by the Members of any of their powers, duties or functions.
- D. The purpose for establishing this Trust in consultation with Members is to benefit residents and ratepayers of New Zealand and in particular that purpose is to be achieved by enabling Members to be recompensed from the Fund in respect of liabilities thus reducing the need for insurance cover and reducing Members' annual expenses. In addition the Scheme Manager will work with Members to ensure that proper systems are developed to promote the efficient and safe fulfilment of each Member's functions thus providing a benefit to the community as a whole.
- E. LGIC has agreed to hold all the shares in Trustee Company on trust for the Members of the Scheme pursuant to this deed.
- F. Trustee Company has agreed to act as Trustee of the Scheme and to hold and apply the Fund in accordance with this deed and the other Scheme Documents so as to provide the benefits intended to be obtained by Members of the Scheme as envisaged by this deed and the other Scheme Documents.

This is an amalgamation of the Deed of Trust dated 1 July 1997 and the Deed of Variation of Deed of Trust dated 22 June 2007. If necessary reference should be made to the provisions of the original documents which take precedence.

THIS DEED WITNESSES:

1. INTERPRETATION:

1.1 In this deed unless the context clearly requires otherwise:

“Act” means the Companies Act 1993.

“Additional Contribution” means any additional or further contribution to an Annual Fund by a Member, after the initial Contribution to that Annual Fund, called for or demanded by the Board pursuant to this deed and the Scheme Rules.

“Annual Fund” means the separate fund established, pursuant to the Scheme Documents, for each Fund Year of the Scheme.

“Board” means the directors of Trustee Company who number not less than the quorum required pursuant to the Constitution acting together as a board of directors.

“Call” means each call or demand for an Additional Contribution.

“Civil Liability” means any civil liability resulting from an obligation, function, power or duty of a Member arising under law and includes any public liability and any liability for negligence of the Member.

“Claim” means any claim by a Member in respect of that Member’s Civil Liability during the term of the Scheme in respect of the Risks.

“Constitution” means the constitution of Trustee Company as may be varied, or substituted from time to time.

“Contribution” includes each Member’s initial contribution to each Annual Fund as determined by the Board, pursuant to clause 11 and each Additional Contribution.

“Deed of Participation” means the deed of participation required to be entered into by each Member pursuant to clause 16.

“Fund” means all assets and property of the Scheme and includes each separate Annual Fund.

“Fund Manager” means the manager of the Fund pursuant to clause 10.

“Fund Year” means the year commencing 4.00pm on 30th June in each year and terminating 4.00pm on 30th June in the next following year, or as otherwise determined by the Board.

“Guidelines for Exercise of Discretion” or **“Guidelines”** means the guidelines from time to time set out by the Board as detailed in clause 8.1.

“Indemnity Cover” means insurance cover purchased by the Board on behalf of Members to meet the Claims of the Members in the amount and in respect of the Risks determined from time to time by the Board being amounts payable in excess of the pooled cover.

“Jardine” means Jardine Risk Consultants Limited.

“Local Authority” means a local authority pursuant to the Local Government Act 1974.

“Member” means any person or body (whether incorporated or not) admitted as a Member to the Scheme pursuant to the Scheme Documents.

“Pooled Cover” means cover provided from the Fund to manage and, if the Claims are accepted by the Board, settle or pay the Claims against the Members in respect of the Risks.

“Risks” means those risks of Civil Liability of each Member and which fall within the Guidelines for Exercise of Discretion for the relevant Fund Year.

“Scheme” means the scheme, to be known as the New Zealand Mutual Liability Riskpool, constituted by this deed and the other Scheme Documents.

“Scheme Documents” means this deed, the Scheme Rules, and the Constitution of Trustee Company and for each Member, its Deed of Participation and the Guidelines.

“Scheme Manager” means the manager of the Scheme appointed from time to time pursuant to clause 9.

“Scheme Manager’s Quantum” shall mean \$30,000 inclusive of self retained limit or such other amount as shall from time to time be fixed by the Board.

“Scheme Rules” means the rules of the Scheme as promulgated by the Board from time to time.

“Scheme Solicitor” means the solicitor appointed from time to time by the Board.

“Self Retained Limit” means the deductible or excess to be borne by each Member in respect of its Risks and Claims against it as provided in the Guidelines.

“Shares” means the shares in Trustee Company.

“Underlying Claim” means any claim for civil liability (covered for the time being under the Guidelines) made against a Member which may give rise to a Liability; but also includes a claim which may give rise to a Liability to a Member under any other category of risk to that Member which the Guidelines of the Scheme may properly have been extended to cover pursuant to the terms of this deed.

This is an amalgamation of the Deed of Trust dated 1 July 1997 and the Deed of Variation of Deed of Trust dated 22 June 2007. If necessary reference should be made to the provisions of the original documents which take precedence.

- 1.2 In this deed, unless the context clearly otherwise requires:
- 1.2.1 Words importing the singular shall include the plural and vice versa;
- 1.2.2 References to any legislation shall include references to all amendments to that legislation and to any legislation passed in substitution for it (in whole or in part);
- 1.2.3 References to “director” or “directors” shall be to a director, or directors, of Trustee Company, acting in their capacity as such; and;
- 1.2.4 References to persons shall be deemed to include references to individuals, companies, corporations, firms, partnerships, joint ventures, associations, organisations, trusts, states or agencies of state, government departments and local and municipal authorities in each case whether or not having separate legal personality.

2. CONSTITUTION OF THE SCHEME

- 2.1 A scheme is hereby established by LGIC and Jardines for the benefit of Members of the Scheme with the objects set out in clause 3. The name of the Scheme shall be the New Zealand Mutual Liability Riskpool.
- 2.2 The parties agree that Trustee Company shall act as the Trustee of the Scheme established under this deed and shall be responsible to ensure that the purposes of the Scheme as provided by this deed and the other Scheme Documents are carried into effect.

- 2.3 The Fund of the Scheme shall include all assets and property for the time being held by or on behalf of Trustee Company, derived from:
- 2.3.1 Contributions;
- 2.3.2 Additional Contributions;
- 2.3.3 Any gifts, donations or grants
- 2.3.4 Revenue from investments;
- 2.3.5 Proceeds of realisation of investments;
- 2.3.6 Any policies or contracts of re-insurance or indemnity;
- 2.3.7 Any recoveries;
- 2.3.8 Any other source.
- 2.4 The Fund shall be held in trust for the benefit of the Members of the Scheme by Trustee Company upon the trusts and for the objects contained in this deed and shall be managed, administered and applied by Trustee Company in accordance with the powers contained in this deed, in order to attain those objects.
- 2.5 LGIC hereby declares that it holds the Shares on trust for the benefit of the Members in accordance with the terms of this deed and the other Scheme Documents for the objects and purposes of the Scheme.
- 2.6 Trustee Company is and shall remain responsible for the safe custody of all money, policies, certificates and other documents of title and value in connection with the Fund and for the safe custody, realisation and distribution of all assets and property from the Fund, from time to time vested in Trustee Company.

3. PURPOSES AND OBJECTS

- 3.1 LGIC and Trustee Company declare that their purposes in entering into this deed and the objects of the Scheme are:
- 3.1.1 To establish and maintain an Annual Fund for each Fund Year during the term of the Scheme for the benefit of the Members to meet the costs of establishing and running the Scheme and, subject to the terms of this deed and the other Scheme Documents and the Guidelines, to pay the Civil Liabilities of the Members arising from the Risks covered by the Scheme and specified in the Scheme Documents with the intention that Members’ needs for insurance cover and insurance expenses are reduced for the benefit of residents and ratepayers;
- 3.1.2 To provide Pooled Cover in respect of Risks as may be determined from time to time by the Board;
- 3.1.3 To manage and settle or pay Claims made against Members;
- 3.1.4 To develop programmes for the management of the risk of loss arising out of Civil Liability of the Members;
- 3.1.5 To reduce the amount and frequency of losses to the Members arising out of Civil Liability;
- 3.1.6 To purchase such Indemnity Cover or re-insurance in respect of such Risks as may be determined from time to time by the Board;

3.1.7	To undertake such other functions in relation to the management of Civil Liability as the Board may from time to time require having regard to the interests of the Members, including making grants from the Fund to a Member or any other person or body approved by the Board;	4.	THE FUND	4.2.2	to the extent that the Underlying Claim exceeds the amount of the Pooled Cover but does not exceed the amount of the Indemnity Cover for that Fund Year;
3.1.8	To investigate and if deemed appropriate by the Board, establish other Funds to cater for the insurance needs of Local Authorities and other local government organisations;	4.1	Trustee Company shall establish and maintain a Fund in the amount recommended by the Board and shall at the commencement of each Fund Year during the term of the Scheme on the advice of the Board invite the Members of the Scheme to contribute to the Fund at such levels as are determined pursuant to clause 6.6 to meet:		(i) to the amount of the Pooled Cover, from the relevant Annual Fund for that Fund Year;
3.1.9	To work with Members to ensure that proper systems are developed to promote the efficient and safe fulfilment of each Member's functions to provide to the Community as a whole;	4.1.1	such Underlying Claims as may be made against any one or more of the Members during that Fund Year in respect of Risks to the extent of the Pooled Cover.		(ii) thereafter from Indemnity Cover for that Fund Year to the extent of that Cover;
3.1.10	To do all other things as may be necessary or desirable to further the above objects in the interests of the Members of the Scheme.	4.1.2	the premium payable to an appropriate indemnity insurer or insurers to provide Indemnity Cover for the Members during that Fund Year.	4.2.3	To the extent that the Underlying Claim exceeds the amount of the Pooled Cover and the Indemnity Cover for that Fund Year;
3.2	The parties agree that they will co-operate to the fullest extent with each other in the implementation of the purposes stated in clause 3.1 and act in accordance with the provisions and spirit and intent of this deed.	4.1.3	the operating expenses of the Scheme for that year.		(i) to the amount of the Pooled Cover, from the relevant Annual Fund for that Fund Year;
		4.1.4	the grants or allocations to be made pursuant to clauses 3.1.7 or 3.1.8 (if any).		(ii) to the amount of the Indemnity Cover for that Fund Year, to the extent of that cover;
		4.1.5	any other amount determined by the Board to be required for the continuation of the Scheme.		(iii) the balance by the Fund from surpluses from previous Fund Years and from Additional Contributions from Members;
3.3	LGIC shall be entitled to be paid an administration fee to be determined from time to time by the Board for the performance of its functions and duties under this deed as Fund Manager and for the provision of any other services to Trustee Company.	4.2	Each Underlying Claim made upon any of the Members during a Fund Year in respect of Risks may at the discretion of the Board be met:	4.3	The Members shall be invited to Contribute to the Fund in the proportions to be determined annually by the Board. The Contributions by Members for each Fund Year shall be held and accounted for as a separate Annual Fund for that Fund Year.
		4.2.1	to the extent that the Underlying Claim does not exceed the amount of the Pooled Cover of the Annual Fund for that Fund Year from that Annual Fund;		(iv) to the limit of any guarantee provided by LGIC, by LGIC.

This is an amalgamation of the Deed of Trust dated 1 July 1997 and the Deed of Variation of Deed of Trust dated 22 June 2007. If necessary reference should be made to the provisions of the original documents which take precedence.

- 4.4 Trustee Company shall administer the Fund with the intent that upon the settlement of all Claims made in respect of occurrences or events arising during the relevant Fund Year;
- 4.4.1 any surplus or anticipated surplus remaining in the Fund attributable to that Fund Year shall be allocated at the absolute direction of the Board towards liabilities of the Fund for any later Fund Year; and
- 4.4.2 any deficiency in the Fund shall be met by Additional Contributions by each Member in the proportion in which Contributions were made to the Annual Fund for that Fund Year.
- 5. BOARD OF TRUSTEE COMPANY**
- 5.1 LGIC shall, following consultation with the Board, appoint persons (not exceeding a maximum of six at any one time) as directors for a term not exceeding three years and one month, and may following consultation with the Board at any time remove, with or without a replacement, any director.
- 5.2 Unless otherwise expressly provided in this deed or the Constitution, questions arising at any meeting of the Board shall be decided by a simple majority of the votes of those directors present and voting.
- 5.3 The quorum necessary for the transaction of business at meetings of the Board shall be the majority of the Directors. A director is to be counted for quorum purposes whether entitled to vote or not.
- 5.4 Subject to the provisions of this deed and any applicable law, LGIC shall determine, from time to time, what (if any) directors fees, other valuable consideration or other benefit shall be paid or given by Trustee Company out of the Fund to any director in respect of that person's performance of duties as a member of the Board.
- 5.5 No director may hold office for more than twelve years, whether continuously or in aggregate over several periods.
- 6. DUTIES OF THE BOARD**
- 6.1 The Board shall be responsible to LGIC as shareholder (as trustee for the Members). Notwithstanding anything to the contrary in the Constitution, the duties of the Board shall include:
- 6.1.1 Implementing and achieving the purposes and objects of the Scheme;
- 6.1.2 Considering all Claims made against the Fund and determining whether or not the Board's discretion should be exercised to meet the Claim for the Member from the Pooled Cover;
- 6.1.3 Ensuring the Scheme is and remains financially viable and solvent within the "solvency tests" laid down by the Act and generally at law;
- 6.1.4 Conduct its business in accordance with this deed and other Scheme Documents, and otherwise in such manner as is resolved by the Board from time to time;
- 6.1.5 Promulgating and amending the Scheme Rules and the Guidelines from time to time.
- 6.2 The Board shall regard the purposes and objects of this deed and the Scheme as being of paramount importance in decisions made and policies adopted by it in relation to the Scheme and shall adopt and use such management and other techniques as will ensure that those main objectives are achieved.
- 6.3 The Trustee Company being a wholly-owned subsidiary of LGIC (as trustee for the Members), any director may act in a manner which he or she believes is in the best interests of LGIC (as trustee for the Members) and the Members, notwithstanding that it may not be in the best interests of the Trustee Company.
- 6.4 A director who is an officer, employee, nominee or representative of a Member shall only be disqualified from voting on any matter that affects that Member if it affects the Member directly and in a materially different way from which it affects other Members or there are personal reasons why that director has a conflict of interest.
- 6.5 The Board shall from time to time appoint the Scheme Solicitor for such tenure and upon such terms as it shall in its sole discretion decide, but such appointment shall be formally reviewed by the Board at least every three years.
- 6.6 The Board shall be responsible for the financial management of the Scheme to the extent that it shall:
- 6.6.1 annually prepare the financial statements and, where considered necessary, report to the Members on any items arising from those statements;

6.6.2	annually determine the Guidelines for the Risks to be provided for from the Fund for any Fund Year;	6.8	The Board at its discretion may establish such other committees, to be constituted by such persons, as the Board may determine. The Board may delegate such of its powers, duties and functions as it may determine to any committee or person.	6.13	In addition to the provisions of this clause the Board may at any time resolve to apply by way of transfer or loan any actual or anticipated surplus then remaining in any Annual Fund to any later Annual Fund or to such purposes as may be considered appropriate having regard to the purposes of the Scheme and this deed.
6.6.3	annually determine the amount of Pooled Cover to be provided for the Members from the Fund for any Fund Year;	6.9	The Board at all times remains responsible for powers and duties delegated to any committee or person and must monitor, by means of reasonable methods properly used, the exercise of those powers and duties by the delegate.	6.14	The Board, in accordance with the provisions of this deed, may make payments and grants from the Fund for the benefit of the Members and to further the objectives of the Scheme as the Board deems fit.
6.6.4	annually determine the amount and nature of Indemnity Cover to be purchased for the Members from the Fund for any Fund Year and to determine the indemnity insurer or insurers for this purpose;	6.10	The Board shall consider regularly the reports of the Scheme Manager and the Claims Committee in relation to Claims and:	6.15	The Board shall within 12 months from the commencement of the Scheme hold an annual meeting of Members to be convened no earlier than 30 days after the mailing to Members of notice of such meeting. In each subsequent year in which the Scheme continues the Board shall in the same manner hold an annual meeting.
6.6.5	be responsible for the assessment of the Members to determine the proportion in which they are to contribute to the Fund in each year. Each Member shall be required to and shall provide to the Board and to the Scheme Manager such information as the Board or the Scheme Manager may require in relation to the history of Civil Liability Claims made against the Member, the Member's operating procedures or such other matters as may be directed in order to permit the Board to carry out its obligations under this clause.	6.10.1	shall, on the recommendation of the Claims Committee and Scheme Manager, determine whether to accept or reject any Claim;	6.16	Any meeting of the Members shall be called and conducted as closely as is practicable in accordance with the Constitution and the Act as if it were a meeting of the shareholders of Trustee Company and as if the Members were shareholders of Trustee Company, and each meeting shall otherwise regulate its own proceedings, however at any such meeting:
		6.10.2	from time to time shall issue instructions to the Claims Committee and Scheme Manager regarding the processing of Claims; and	6.16.1	a Member shall have one vote;
		6.10.3	shall, on written request from a Member, reconsider any Claim that has been rejected.	6.16.2	a Member may vote only in respect of matters arising in, from or relating to a Fund Year during which the Member was or is a Member of the Scheme; and
6.7	The Board may from time to time establish, or disestablish, a Claims Committee. Any such Claims Committee shall have such membership, duties, functions and powers, and be subject to such procedures, as the Board may from time to time stipulate. Where a Claims Committee is disestablished, its duties, functions and powers shall revert to the Board (but without prejudice to the validity or effectiveness of any act or omission of the Claims Committee prior to its disestablishment), and any reference in this deed to the Claims Committee shall be read accordingly.	6.11	[Intentionally Omitted]	6.16.3	matters arising in, from or relating to different Fund Years shall be considered and voted on separately.
		6.12	Where it becomes apparent to the Board that the Annual Fund for any Fund Year will be insufficient to meet Claims payable from that Annual Fund, the Board may at any time require the payment by the Members of an Additional Contribution in the same proportions as the Contributions paid by each of the Members to that Annual Fund in order to ensure that all Claims upon that Annual Fund are able to be met.		

This is an amalgamation of the Deed of Trust dated 1 July 1997 and the Deed of Variation of Deed of Trust dated 22 June 2007. If necessary reference should be made to the provisions of the original documents which take precedence.

7. [INTENTIONALLY OMITTED]

8. GUIDELINES AND CLAIMS

- 8.1 The Board upon the recommendation of the Scheme Manager shall set at the commencement of each Fund Year Guidelines for the exercise of its discretion as to whether or not Claims by Members should be met out of the Pooled Cover.
- 8.2 The Board shall have absolute and unfettered discretion as to whether or not any Claim should be met out of the Pooled Cover and shall be influenced by but not bound by the Guidelines.
- 8.3 The Claims Committee may authorise the Scheme Manager to meet Claims out of the Pooled Cover where:
- 8.3.1 Those Claims do not exceed the Scheme Manager's Quantum and;
- 8.3.2 The Claim falls within the Guidelines and;
- 8.3.3 The Underlying Claim against the Member is one for which the Member is reasonably liable and would in all probability be held liable at law for the amount of the Claim.
- 8.4 Where the quantum of any Underlying Claim exceeds the Scheme Manager's Quantum the Claims Committee shall authorise the Scheme Manager in conjunction with the Scheme Solicitor to administer and deal with that Underlying Claim but any settlement of a claim shall be authorised by the Claims Committee.

9. ENGAGEMENT OF SCHEME MANAGER

- 9.1 The Board shall appoint a person to be the Scheme Manager upon such conditions as to tenure and remuneration or otherwise as shall be determined by the Board in its sole discretion and agreed upon by the Scheme Manager and the first Scheme Manager shall be Jardine for a period of 5 years from commencement of the Scheme.
- 9.2 The Scheme Manager's duties shall be determined by the Board from time to time and may include:
- 9.2.1 from time to time undertake an assessment of the Members or any of them and their activities to assist the Fund Manager in the determination of the proportion in which the Members are to contribute to the Fund in any year and upon the conclusion of any such investigation direct the Members or any of them as to the procedures to be adopted by them to prevent losses or to minimise Civil Liability.
- 9.2.2 under the supervision and direction of the Claims Committee and the Board the management of Claims made against each Member including:
- (a) the investigation and assessment of those Claims;
- (b) the preparation of regular reports to the Board on the progress of Claims and the preparation of recommendations as to the acceptance, rejection, settlement, litigation or other handling of the Claims;

- (c) the issue of instructions to the Scheme Solicitor for advice in respect of Claims and for assistance in the defence of Claims.

- 9.2.3 the provision of loss prevention and risk minimisation guidelines to members.

- 9.3 The Scheme Manager shall be available at all times to any member of the Board or any member of the Claim Committee or any other committee of the Board or any of the Members of the Scheme to answer any questions on the conduct of the Scheme's activities.

10. FUND MANAGER

- 10.1 LGIC shall be the Fund Manager upon such conditions as to remuneration or otherwise as shall be agreed by the Board and LGIC. In the event that LGIC becomes insolvent or ceases to trade then the Board shall appoint a new Fund Manager.
- 10.2 The Fund Manager's duties shall be determined by the Board from time to time and shall include:
- 10.2.1 the keeping of the accounts of the Annual Fund for each Fund Year;
- 10.2.2 the provision of administrative and secretarial services to Trustee Company and the Board including setting agendas and submitting reports;
- 10.2.3 the preparation of advice and recommendations on the investment of any moneys of the Fund not immediately required and implementation of decisions of the Board;

10.2.4	the preparation of regular reports to the Board in such form as the Board shall from time to time direct in respect of each Annual Fund as to:	10.4	The Fund Manager shall negotiate Indemnity Cover as requested by the Board and satisfying any specific requirements of LGIC while LGIC's Deed of Guarantee is operative or while there are outstanding amounts due to LGIC under any Deed of Guarantee.	11.2.7	any other matters the Board considers relevant, having regard to the purposes and objects of the Scheme.
	(i) Claims outstanding;			11.3	If during a Fund Year it becomes apparent to the Board that as a result of unexpected or exceptional circumstances the Fund for that Fund Year will be insufficient to meet Claims payable from the Fund, the Board may determine an Additional Contribution payable by each Member for the Fund Year (which will be in the same proportion to the Additional Contributions of all other Members as the initial Contribution paid by the Member for that Fund Year bears to the initial Contributions of all Members for that Fund Year).
	(ii) The Scheme Manager's assessment of liability in respect of each outstanding Claim;	11.	CONTRIBUTIONS TO SCHEME		
	(iii) The ability of the Fund to meet the assessment of liability;	11.1	Each Member, as a condition of membership of the Scheme for that Fund Year, shall pay the initial Contribution determined by the Board for that Member for that Fund Year.	11.4	All Contributions (including any Additional Contribution under sub-clause 11.3) must be paid within twenty days of the date of the contribution notice given to the Member by the Board, the Scheme Manager or the Fund Manager (or such longer period as stated in the notice or determined by the Board).
	(iv) The assessment of further Additional Contributions required, if any;	11.2	The Contributions determined for any Member in respect of any Fund Year, shall be determined having regard to the advice from the Claims Committee, the Fund Manager and the Scheme Manager and such matters as the Board considers relevant to the Scheme Member's level of risk and may include, without limitation:	11.5	Without affecting any other Rule, if the amount of any Contribution (including any Additional Contribution under sub-clause 11.3) is not paid by the due date:
	(v) The investment of the moneys of the Fund not immediately required;		11.2.1 the Member's revenue base;	11.5.1	interest 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;
	(vi) The allocation of surplus moneys in the Fund, if any;		11.2.2 the geographical location of the Member's territory;	11.5.2	an unpaid Contribution (and interest) constitutes a debt payable by the relevant Member to the Scheme and Trustee Company may bring proceedings for the recovery of that debt in its name on behalf of the Scheme.
10.2.5	the preparation of the annual operating budget;		11.2.3 the population of the Member's territory;		
10.2.6	the calculation of Contributions in conjunction with actuarial advice and advice from the Scheme Manager;		11.2.4 the Member's Civil Liability claims history (both during and prior to its membership of the Scheme);		
10.2.7	the recommendation of the level of Pooled Cover to be provided in any Fund Year;		11.2.5 any matter relating to the nature of the Member's territory or its operations which create increased or reduced risks of Civil Liability;		
10.2.8	the recommendation of the level of Indemnity Cover to be provided in any Fund Year.		11.2.6 any matters relevant to the Scheme Member's risk management practices that are known to the Board;		
10.3	The Fund Manager shall be available at all times to any member of the Board or any member of the Claims Committee or any other committee of the Board or any Member of the Scheme to answer questions on the management of the Fund.				

This is an amalgamation of the Deed of Trust dated 1 July 1997 and the Deed of Variation of Deed of Trust dated 22 June 2007. If necessary reference should be made to the provisions of the original documents which take precedence.

12. BANK ACCOUNT, INVESTMENT AND BORROWING POWERS

- 12.1 Trustee Company shall open a bank account for the Fund with a registered Bank determined by the Board.
- 12.2 The name of the bank account and the persons authorised as signatories to operate the bank account shall be determined by the Board.
- 12.3 The parties agree that the Trustee Company may invest moneys received in respect of the Fund and not immediately required to meet the liabilities of the Fund;
- 12.3.1 with any registered Bank;
- 12.3.2 in any security or investment authorised by the Trustee Act; or
- 12.3.3 in any security or investment authorised by the Local Government Act 1974 or prescribed pursuant to and for the purposes of that Act; or
- 12.3.4 with the Trustee of any other Trust Fund established for the benefit of Local Authorities or other local government organisations.
- 12.5 The parties agree that for any of the purposes of this deed Trustee Company may borrow moneys and for that purpose secure the repayment of its borrowings by granting security over the assets of the Scheme and the Fund.
- 12.6 All Contributions and other moneys received by Trustee Company shall be deposited to the credit of the Fund and shall be applied at its discretion as follows:
- 12.6.1 in payment of any establishment costs for the Scheme;

- 12.6.2 in payment of all administrative and operating costs associated with the Scheme;
- 12.6.3 in payment of fees due to the Scheme Manager and the Fund Manager;
- 12.6.4 in payment of all Claims accepted by the Board;
- 12.6.5 by way of any grant or allocation approved under this deed; and
- 12.6.6 generally in furtherance of the Scheme's objectives including a transfer, payment or loan in accordance with the Scheme Documents.

- 12.7 The parties agree that Trustee Company and the Board shall keep or cause to be kept all such accounting records for the Scheme and the Fund as fully and correctly explain the transactions and financial position of the Scheme and the Fund.

13. RECOURSE TO SCHEME ASSETS ONLY

- 13.1 For the payment of any Claim against the Scheme or the performance of any obligation of the Scheme under this deed, 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 Member against:
- 13.1.1 any Member of the Board;
- 13.1.2 the Scheme Manager or the Fund Manager in any capacity other than as Scheme Manager or Fund Manager of the Scheme;
- 13.1.3 except to the extent of LGIC's indemnity to Trustee Company, LGIC; or
- 13.1.4 any other Member.

14. ORDER OF PRIORITY OF SCHEME DOCUMENTS

- 14.1 The Scheme Documents shall be construed in the following order of priority:
- 14.1.1 this deed, which shall be paramount; then
- 14.1.2 the Scheme Rules; then
- 14.1.3 the Constitution; and then
- 14.1.4 the Deed of Participation and the Guidelines for each Member.

15. SURPLUS ON LIQUIDATION OF SCHEME

- 15.1 Upon the winding up of the Scheme (including the liquidation of Trustee Company) the assets, if any, remaining after payment of the debts and liabilities of the Scheme and the costs of winding up ("the surplus assets") shall be distributed among the then Members of the Scheme in proportion to their Contributions to the Scheme over the Fund Year in which the winding up commenced and the previous four Fund Years, provided however that Members whose Contributions are not fully paid up at the commencement of the winding up shall receive only a proportionate share of their entitlement being the amount which is in proportion to the amount of their Contributions paid up. In calculating a Member's Contributions for the purposes of this clause the amount of the Contribution shall be reduced by the amount of any Claim or Claims paid or payable pursuant to the Scheme.

16. DEED OF PARTICIPATION

EXECUTED AS A DEED

16.1 Each Member, as a condition of membership of the Scheme, shall be required to execute under seal and deliver to Trustee Company a Deed of Participation in the form annexed as Schedule 1, as may be varied or substituted by the Board from time to time, whereby the Member covenants and agrees, for the benefit of Trustee Company and LGIC, to be bound and to observe and perform all the terms of this deed and the other Scheme Documents as if the Member was a party to this Deed and the other Scheme Documents.

EXECUTED by **NEW ZEALAND**)
LOCAL GOVERNMENT)
INSURANCE CORPORATION)
LIMITED by two of its directors:)

16.2 Members shall provide the Scheme Manager with all information as is necessary to give effect to the Scheme and in particular will:

Director (Signature)

Director (Signature)

16.2.1 Disclose all material facts to the Scheme Manager as if the Member was an insured and the Scheme Manager was an agent for an insurer and;

Name (Please Print)

Name (Please Print)

16.2.2 Conduct itself in its dealings with the Scheme in the same manner as if it was an insured under a policy of insurance with the Scheme and in particular act in good faith towards the Scheme.

EXECUTED by **LOCAL**)
GOVERNMENT MUTUAL)
FUNDS TRUSTEE COMPANY)
LIMITED by two of its directors:)

16.2.3 Immediately advise the Scheme Manager of any Underlying Claim and co-operate with the Scheme Manager and Scheme Solicitor in dealing with Underlying Claims.

Director (Signature)

Director (Signature)

17. VARIATIONS

17.1 LGIC and Trustee Company may make any variation or addition to this deed if it is consented to in writing by not less than 90% in number of Members, and any such variation or addition shall be binding on all Members.

Name (Please Print)

Name (Please Print)

This is an amalgamation of the Deed of Trust dated 1 July 1997 and the Deed of Variation of Deed of Trust dated 22 June 2007. If necessary reference should be made to the provisions of the original documents which take precedence.

SCHEDULE 1

DEED OF PARTICIPATION

(Name of Member)

HEREBY DECLARES covenants and agrees for the benefit of Local Government Mutual Funds Trustee Company Limited and New Zealand Local Government Insurance Corporation Limited to be bound by and observe and perform all of the terms of the Deed of Trust establishing the New Zealand Mutual Liability Riskpool and the Scheme Documents referred to in that Deed of Trust as if it was a party to those documents (as amended from time to time).

SIGNED BY _____)

_____)

as the duly authorised agent of _____)
the Member in the presence of: _____)

(Signature of duly authorised Agent)

(Signature of Witness)

(Name of Witness)

(Address of Witness)

(Date)

This is an amalgamation of the Deed of Trust dated 1 July 1997 and the Deed of Variation of Deed of Trust dated 22 June 2007. If necessary reference should be made to the provisions of the original documents which take precedence.



NEW ZEALAND MUTUAL
LIABILITY RISKPOOL