



# Annual Report 2016





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# 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

## INTRODUCTION

Riskpool has now completed its nineteenth year since inception. At the height of its membership during the early 2000s there were 83 members (out of 86 councils). Claim notifications peaked in Fund Year 6 largely due to the leaky building 'epidemic' with 945 notifications received in just one year. Claim payouts in this past year have set new records with our highest non-leaky payment leaping to \$17.6 million. And the coming Fund Year, Fund Year 20, is expected to be Riskpool's last.

This does not mean that we are abandoning local government liability. We firmly believe that we are experts in this space and that there is plenty more that we can do for the sector in terms of securing the best price, the best coverage, and offering the best service. It just means that it is time for a change, time for something even better.

## \$225 MILLION OF SAVINGS

It is well known that the insurance cycle operates in peaks and troughs, and at present the market is soft. This means that in general premiums are low and business is competitive. The competition in the market at present has certainly increased as commercial insurers move further into the local government liability space. This competition has unfortunately resulted in a downward trend in Riskpool membership.

The liability market is one of the more complex areas of insurance and as was predicted last year, contributions for Fund Year 19 increased slightly compared to the pricings for 2015-16. This was to be expected following the settlement of the Southland Stadium claim in late 2015 for \$17.6

million, a claim that highlighted the 'joint and several liability' issue. It also reflects a long history of high claims: in 19 years Riskpool has received \$129 million in contributions and calls, and expects to pay \$177 million in claims, of which \$166 million has already been paid.

Had Riskpool never existed, and on the rule of thumb that 50% of insurance premiums are used for non-claims costs, then \$177 million of claims would have cost Riskpool's members in insurance premiums \$354 million. Compared to the contributions and calls actually paid, that is a direct saving for the sector for just the Riskpool members of \$225 million.

## CIVIC LIABILITY POOL

In March we held a joint Riskpool-LAPP Member meeting following SOLGM's Strategic Finance Forum. The main focus at the Riskpool meeting was to announce the development of Civic Liability Pool (CLP) as an alternate liability product for the future. CLP became available to councils starting from 30 June 2016. Its main difference to Riskpool is that it is structured so as not to require a provision for calls. This means that members can never have a liability beyond meeting the payments for their annual contributions.

CLP, like Riskpool, offers Professional Indemnity, Public Liability, Harbourmasters and Wreck Removal costs cover, but uses a modern wording. It, like Riskpool, will manage claims with the long-term good of the sector in mind and share the same reinsurance programme as is used by around 500 Australian councils, which allows CLP and Riskpool to provide an indemnity limit of \$200 million per council per year. We will also continue to provide our value-added services such as ad hoc risk management advice.

Since the Member meeting there has been a number of regional meetings with member and non-member councils throughout the country to promote and gain support for CLP. This increase in contact with all local authorities will remain a commitment for the future for so long as members want this.

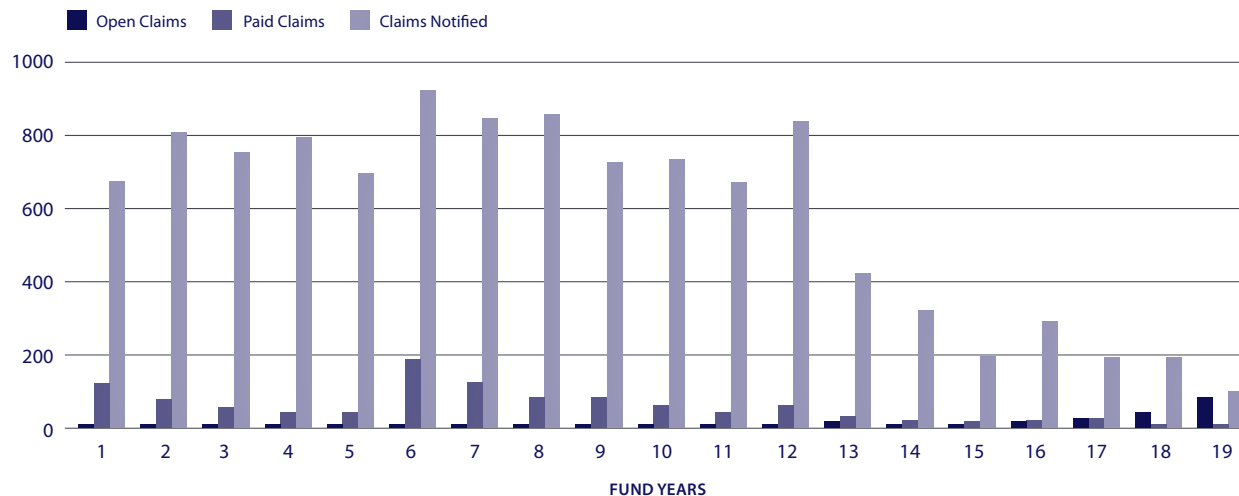
## FINANCE

The current accounts for Fund Years 1-19 on page 11 show a deficit of \$2.96 million. This \$0.69 million increase since 2015 is primarily due to the significant decrease in Riskpool membership in Fund Year 19.

## CLAIMS

There has been a further reduction in the number of total open claims, down from the 236 reported last year to just 175 this year. As shown by the diagram opposite, of the 175 open claims, 136 of them fall within Fund Years 16-19, all of which are fully reinsured.

Outstanding claims liabilities at 30 June 2016 stand at \$11.95 million, which is a \$17.87 million reduction since 30 June 2015 that is mostly due to the settlement of the Southland Stadium claim. At 30 June 2016 there were only 27 open leaky building claims. A sharp decline in notifications can be seen now that the worst of the leaky years is through. Unfortunately the recent Court of Appeal judgment of *Auckland Council v Weathertight Homes Tribunal & Ors (Oteha Valley)* has potentially opened the door for 'piggy back' leaky building claims which would have otherwise been defeated by legislative limitation provisions. We will be monitoring the outcome from this judgment closely.



The proceedings by Wellington City Council against the Fund which were served in 2014 are ongoing. The Board in the interests of Riskpool's other members continues to decline this claim based on Queen's Counsel advice.

#### DEVELOPING GOOD CASE LAW AND RISK MANAGEMENT

Without Riskpool to keep insurance premiums competitive and allowing for the good case law and risk management that Riskpool has developed, liability cover for councils would perhaps be three times more costly than what councils are paying today. However, we believe there has been a lot more to Riskpool than just saving money on the current year's insurance costs. In the liability space, what happens to one council can affect all councils. The '*Invercargill to Auckland and Back*' story illustrates this.

Developing good case law allows councils to have clarity over their duties and therefore to better manage their risks. Riskpool in particular has worked very hard to avoid bad precedents for the sector.

#### Invercargill to Auckland and Back

Case law on local authorities' duty of care to ratepayers began with a house built in Invercargill in the early 1970s. Foundation defects were subsequently discovered and in 1996 the case of *Invercargill City Council v Hamlin* came before what was then New Zealand's highest court – the UK's Privy Council. The Privy Council found in the Hamlins' favour, dismissing the Invercargill City Council's argued position that they did not owe a duty of care to residential ratepayers.

By the late 2000s the leaky building 'epidemic' was very much in full force around the country with large amounts of litigation, particularly against councils given that they, unlike other potential parties to proceedings, do not have the ability to liquidate or simply disappear. This was a direct consequence of the Hamlin decision which established the duty of care owed to residential ratepayers. The Auckland Councils were the ones that suffered most from this.

Then, in 2012, the Auckland North Shore City Council case known as *Spencer on Byron* came before the Supreme Court who found that there was no reason why the duty of care should not extend to commercial premises. Readers will remember that heavy snow in 2010 had caused the roof of Invercargill's Southland Stadium to collapse. Following the decision in *Spencer on Byron*, the trustees of the Stadium sued Invercargill City Council for signing off on a code of compliance certificate. This resulted in a payment of \$17.6 million by Riskpool's reinsurers for the Invercargill City Council's share of the liability.

#### MY APPRECIATION

I would like to extend the Board's thanks to the Fund and Scheme Manager, the Claims Manager and the Scheme Solicitor. In particular I would like to thank Tim Sole, Roger Gyles, Caroline Bedford, Jane Brown and Paul Carpenter for their hard work over the past year.

I would also like to take this opportunity to acknowledge a change in role for David Heaney QC, who through Heaney & Co and more latterly Heaney & Partners, has worked with Riskpool since its inception in 1997. During the year David retired from Heaney & Partners to practice as a barrister sole, but will continue to be involved as required in the litigation of Riskpool and CLP claims.

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 2016

The Auditor-General is the auditor of New Zealand Mutual Liability Riskpool (the Scheme) comprising Fund No. 1 to Fund No. 19. The Auditor-General has appointed me, David Shadwell, using the staff and resources of Deloitte Limited, 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 balance sheet as at 30 June 2016, the statement of financial performance, statement of movements in net assets and cash flow statement 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 2016; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards with disclosure concessions.

Our audit was completed on 23 September 2016. 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 Trustees 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 6 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 Trustees;
- 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. Also, we did not evaluate the security and controls over the electronic publication 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 TRUSTEES

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

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

The Trustees are also 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 Trustees are 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 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 LIMITED**

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 2016

	Note	2016	2015
		\$000	\$000
<b>Revenue</b>			
Members' Contributions		1,916	4,363
Contribution to expenses from prior fund years		623	796
Reinsurance Recoveries	7	3,067	16,987
Direct Claims Expense	6	(3,017)	(20,404)
Claims Administration Expense		(623)	(796)
Reinsurance Expense		(1,329)	(2,376)
<b>Net Result for the Period</b>		<b>637</b>	<b>(1,430)</b>
<b>Investment Revenue</b>		51	187
<b>Total Revenue</b>		<b>688</b>	<b>(1,243)</b>
<b>Expenditure</b>			
Claims Manager's Fee		350	921
Fund & Scheme Manager's Fee		547	907
Audit Fees		22	23
Tax Compliance Services		4	7
Consultancy		97	109
Directors' Fees		42	49
Meeting/Travel Expenses		8	22
Marketing		1	2
Directors & Officers Liability Insurance		49	75
Legal Fees		231	139
Printing and Stationery		19	13
Sundry Expenses		2	2
<b>Total Expenditure</b>		<b>1,372</b>	<b>2,269</b>
<b>Net Deficit before Tax</b>		<b>(684)</b>	<b>(3,512)</b>
Tax Expense		-	-
<b>Net Deficit after Tax</b>		<b>(684)</b>	<b>(3,512)</b>

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 Net Assets for the year ended 30 June 2016

	Note	2016	2015
		\$000	\$000
<b>Total Trust Funds at 1 July</b>		(2,274)	1,238
Net Deficit		(684)	(3,512)
<b>Total Trust Funds at 30 June</b>		<b>(2,958)</b>	<b>(2,274)</b>

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



## Summary Balance Sheet as at 30 June 2016

	Note	2016 \$000	2015 \$000
<b>Trust Funds</b>			
Trust Accounts		(3,611)	(2,927)
Trust Capital Account		653	653
<b>Total</b>		<b>(2,958)</b>	<b>(2,274)</b>
<b>Represented by:</b>			
<b>Assets</b>			
Cash	8	1,536	2,324
Short Term Bank Deposits		-	1,500
Accrued Interest		-	3
Accounts Receivable		54	78
Prepayments		1	18
Reinsurance Receivable	7	7,543	24,054
<b>Total Assets</b>		<b>9,134</b>	<b>27,977</b>
<b>Current Liabilities</b>			
Accounts Payable		195	174
Taxation Payable		3	2
GST Payable/(Receivable)		(52)	259
<b>Total Current Liabilities</b>		<b>146</b>	<b>435</b>
<b>Claims Provision</b>	6	11,946	29,816
<b>Total Liabilities</b>		<b>12,092</b>	<b>30,251</b>
<b>EXCESS/(DEFICIT) ASSETS OVER LIABILITIES</b>		<b>(2,958)</b>	<b>(2,274)</b>

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

## Summary Cash Flow Statement for the year ended 30 June 2016

	Note	2016 \$000	2015 \$000
<b>Cash flows from operating activities</b>			
<b>Cash was provided from:</b>			
Members' Contributions		1,861	4,427
Interest Received – Bank		54	189
Reinsurance recoveries received		19,575	3,705
		21,490	8,321
<b>Cash was applied to:</b>			
Reinsurance		(1,329)	(2,394)
Claims Manager's Fee		(350)	(921)
Fund & Scheme Manager's Fee		(547)	(918)
Contribution to expenses from prior fund years		623	796
Legal Fees		(222)	(158)
Claims		(21,783)	(7,957)
Consultants		(95)	(120)
Audit Fees		(21)	(36)
Other Expenses		(86)	(201)
Taxation Refunded/(Paid)		(1)	(2)
GST Refunded/(Paid)		33	184
		(23,778)	(11,727)
<b>Net Cash inflow/(outflow) from operating activities</b>	5	<b>(2,288)</b>	<b>(3,406)</b>
Net increase/(decrease) in cash held		(2,288)	(3,406)
Opening cash at 1 July		3,824	7,230
<b>Closing cash at 30 June</b>		<b>1,536</b>	<b>3,824</b>
<b>Comprising of:</b>			
Cash		1,536	2,324
Short Term Bank Deposits		-	1,500
<b>Total</b>		<b>1,536</b>	<b>3,824</b>

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 2016

	Note	Fund No. 19 (15–16)		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)	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Revenue</b>															
Members' Contributions		1,916	-	-	4,363	-	-	-	-	-	-	-	-	-	-
Contribution to expenses from prior fund years		623	-	-	796	-	-	-	-	-	-	-	-	-	-
Reinsurance Recoveries	7	1,661	-	(460)	2,339	(219)	518	998	(154)	15	3	1,850	16,169	315	(13)
Direct Claims Expense	6	(2,230)	-	963	(3,173)	384	(134)	(969)	374	42	510	(1,821)	(16,251)	(332)	(10)
Claims Administration Expense		-	-	(478)	-	(97)	(499)	-	(197)	(4)	(31)	-	(9)	-	(16)
Reinsurance Expense		(1,329)	-	-	(2,376)	-	-	-	-	-	-	-	-	-	-
<b>Net Result for the Period</b>		<b>641</b>	<b>-</b>	<b>25</b>	<b>1,949</b>	<b>68</b>	<b>(115)</b>	<b>29</b>	<b>23</b>	<b>53</b>	<b>482</b>	<b>29</b>	<b>(91)</b>	<b>(17)</b>	<b>(39)</b>
<b>Investment Revenue</b>		<b>3</b>	<b>-</b>	<b>5</b>	<b>14</b>	<b>3</b>	<b>9</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>(1)</b>	<b>(2)</b>
<b>Total Revenue</b>		<b>644</b>	<b>-</b>	<b>30</b>	<b>1,963</b>	<b>71</b>	<b>(106)</b>	<b>29</b>	<b>26</b>	<b>53</b>	<b>482</b>	<b>29</b>	<b>(89)</b>	<b>(18)</b>	<b>(41)</b>
<b>Expenditure</b>															
Claims Manager's Fee		350	-	-	921	-	-	-	-	-	-	-	-	-	-
Fund & Scheme Manager's Fee		547	-	-	907	-	-	-	-	-	-	-	-	-	-
Audit Fees		8	-	1	10	1	1	1	1	1	1	1	1	1	1
Tax Compliance Services		4	-	-	6	-	1	-	-	-	-	-	-	-	-
Consultancy		64	-	15	121	-	(12)	18	-	-	-	-	-	-	-
Directors' Fees		42	-	-	51	-	(2)	-	-	-	-	-	-	-	-
Meeting/Travel Expenses		8	-	-	22	-	-	-	-	-	-	-	-	-	-
Marketing		1	-	-	2	-	-	-	-	-	-	-	-	-	-
Directors & Officers Liability Insurance		49	-	-	75	-	-	-	-	-	-	-	-	-	-
Legal Fees		13	-	10	19	-	10	-	-	-	-	-	-	-	-
Printing and Stationery		15	-	4	10	-	3	-	-	-	-	-	-	-	-
Sundry Expenses		2	-	-	2	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>1,103</b>	<b>-</b>	<b>30</b>	<b>2,146</b>	<b>1</b>	<b>1</b>	<b>19</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Net (Deficit)/Surplus before Tax</b>		<b>(459)</b>	<b>-</b>	<b>-</b>	<b>(183)</b>	<b>70</b>	<b>(107)</b>	<b>10</b>	<b>25</b>	<b>52</b>	<b>481</b>	<b>28</b>	<b>(90)</b>	<b>(19)</b>	<b>(42)</b>
Tax Expense		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net (Deficit)/Surplus after Tax</b>		<b>(459)</b>	<b>-</b>	<b>-</b>	<b>(183)</b>	<b>70</b>	<b>(107)</b>	<b>10</b>	<b>25</b>	<b>52</b>	<b>481</b>	<b>28</b>	<b>(90)</b>	<b>(19)</b>	<b>(42)</b>

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	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,916	4,363
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	623	796
(742)	619	(1)	(89)	-	(29)	111	(1,182)	323	(501)	(910)	9	132	(699)	(6)	(3)	3,067	16,987
930	(753)	84	453	31	327	177	(1,348)	(499)	(400)	402	(200)	(189)	127	10	74	(3,017)	(20,404)
(29)	-	(1)	(9)	-	(14)	-	(3)	(9)	-	-	(12)	(2)	(6)	(3)	-	(623)	(796)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,329)	(2,376)
<b>159</b>	<b>(134)</b>	<b>82</b>	<b>355</b>	<b>31</b>	<b>284</b>	<b>288</b>	<b>(2,533)</b>	<b>(185)</b>	<b>(901)</b>	<b>(508)</b>	<b>(203)</b>	<b>(59)</b>	<b>(578)</b>	<b>1</b>	<b>71</b>	<b>637</b>	<b>(1,430)</b>
-	-	(13)	(12)	(29)	(25)	6	110	16	11	(22)	(22)	68	86	15	13	51	187
<b>159</b>	<b>(134)</b>	<b>69</b>	<b>343</b>	<b>2</b>	<b>259</b>	<b>294</b>	<b>(2,423)</b>	<b>(169)</b>	<b>(890)</b>	<b>(530)</b>	<b>(225)</b>	<b>9</b>	<b>(492)</b>	<b>16</b>	<b>84</b>	<b>688</b>	<b>(1,243)</b>
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	350	921
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	547	907
1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	22	23
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	7
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	97	109
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	42	49
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8	22
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	2
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	49	75
-	-	-	-	-	-	-	-	-	-	208	110	-	-	-	-	231	139
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19	13
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>209</b>	<b>111</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1,372</b>	<b>2,269</b>
<b>158</b>	<b>(135)</b>	<b>68</b>	<b>342</b>	<b>1</b>	<b>258</b>	<b>293</b>	<b>(2,424)</b>	<b>(170)</b>	<b>(891)</b>	<b>(739)</b>	<b>(336)</b>	<b>8</b>	<b>(493)</b>	<b>15</b>	<b>83</b>	<b>(684)</b>	<b>(3,512)</b>
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>158</b>	<b>(135)</b>	<b>68</b>	<b>342</b>	<b>1</b>	<b>258</b>	<b>293</b>	<b>(2,424)</b>	<b>(170)</b>	<b>(891)</b>	<b>(739)</b>	<b>(336)</b>	<b>8</b>	<b>(493)</b>	<b>15</b>	<b>83</b>	<b>(684)</b>	<b>(3,512)</b>



# NEW ZEALAND MUTUAL LIABILITY RISKPOOL

## Statement of Movements in Net Assets for the year ended 30 June 2016

	Note	Fund No. 19 (15–16)		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)	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Total Trust Funds at 1 July</b>		-	-	(183)	-	435	542	716	691	(386)	(867)	(168)	(78)	(796)	(754)
Net (Deficit)/Surplus		(459)	-	-	(183)	70	(107)	10	25	52	481	28	(90)	(19)	(42)
<b>Total Trust Funds at 30 June</b>		<b>(459)</b>	<b>-</b>	<b>(183)</b>	<b>(183)</b>	<b>505</b>	<b>435</b>	<b>726</b>	<b>716</b>	<b>(334)</b>	<b>(386)</b>	<b>(140)</b>	<b>(168)</b>	<b>(815)</b>	<b>(796)</b>

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	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
\$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	(2,469)	(2,133)	3,117	3,610	5,199	5,116	(2,274)	1,238
158	(135)	68	342	1	258	293	(2,424)	(170)	(891)	(739)	(336)	8	(493)	15	83	(684)	(3,512)
<b>(2,203)</b>	<b>(2,361)</b>	<b>(1,009)</b>	<b>(1,077)</b>	<b>(5,459)</b>	<b>(5,460)</b>	<b>(325)</b>	<b>(618)</b>	<b>1,607</b>	<b>1,777</b>	<b>(3,208)</b>	<b>(2,469)</b>	<b>3,125</b>	<b>3,117</b>	<b>5,214</b>	<b>5,199</b>	<b>(2,958)</b>	<b>(2,274)</b>



# NEW ZEALAND MUTUAL LIABILITY RISKPOOL

## Balance Sheet as at 30 June 2016

	Note	Fund No. 19 (15–16)		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)	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Trust Funds</b>															
Trust Accounts		(459)	-	(183)	(183)	505	435	726	716	(334)	(386)	(140)	(168)	(815)	(796)
Trust Capital Account		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>		(459)	-	(183)	(183)	505	435	726	716	(334)	(386)	(140)	(168)	(815)	(796)
<b>Represented by:</b>															
<b>Assets</b>															
Cash	8	6	-	(303)	652	316	268	429	93	(296)	(856)	(759)	130	(831)	(1,378)
Short Term Bank Deposits		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued Interest		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable		11	-	-	48	-	-	-	27	-	3	-	-	-	-
Prepayments		-	-	1	-	-	-	-	18	-	-	-	-	-	-
Reinsurance Receivable	7	1,660	-	1,878	2,339	1,003	1,661	1,818	1,318	21	619	1,128	16,392	499	1,095
<b>Total Assets</b>		<b>1,677</b>	<b>-</b>	<b>1,576</b>	<b>3,039</b>	<b>1,319</b>	<b>1,929</b>	<b>2,247</b>	<b>1,456</b>	<b>(275)</b>	<b>(234)</b>	<b>369</b>	<b>16,522</b>	<b>(332)</b>	<b>(283)</b>
<b>Current Liabilities</b>															
Accounts Payable		60	-	12	143	2	4	2	4	2	2	2	3	84	2
Taxation Payable		3	-	-	2	-	-	-	-	-	-	-	-	-	-
GST Payable/(Receivable)		(24)	-	(20)	(15)	9	(13)	(4)	(93)	(2)	75	(3)	3	(1)	(26)
<b>Total Current Liabilities</b>		<b>39</b>	<b>-</b>	<b>(8)</b>	<b>130</b>	<b>11</b>	<b>(9)</b>	<b>(2)</b>	<b>(89)</b>	<b>-</b>	<b>77</b>	<b>(1)</b>	<b>6</b>	<b>83</b>	<b>(24)</b>
<b>Claims Provision</b>	6	2,097	-	1,767	3,092	803	1,503	1,523	829	59	75	510	16,684	400	537
<b>Total Liabilities</b>		<b>2,136</b>	<b>-</b>	<b>1,759</b>	<b>3,222</b>	<b>814</b>	<b>1,494</b>	<b>1,521</b>	<b>740</b>	<b>59</b>	<b>152</b>	<b>509</b>	<b>16,690</b>	<b>483</b>	<b>513</b>
<b>EXCESS/(DEFICIT) ASSETS OVER LIABILITIES</b>		<b>(459)</b>	<b>-</b>	<b>(183)</b>	<b>(183)</b>	<b>505</b>	<b>435</b>	<b>726</b>	<b>716</b>	<b>(334)</b>	<b>(386)</b>	<b>(140)</b>	<b>(168)</b>	<b>(815)</b>	<b>(796)</b>

Signed on behalf of the Trustee, Local Government Mutual Funds Trustee Limited on 23 September 2016

**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	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
(2,203)	(2,361)	(1,009)	(1,077)	(5,459)	(5,460)	(325)	(618)	1,607	1,777	(3,354)	(2,615)	2,994	2,986	4,838	4,823	(3,611)	(2,927)
-	-	-	-	-	-	-	-	-	-	146	146	131	131	376	376	653	653
(2203)	(2,361)	(1,009)	(1,077)	(5,459)	(5,460)	(325)	(618)	1,607	1,777	(3,208)	(2,469)	3,125	3,117	5,214	5,199	(2,958)	(2,274)
(2,128)	(1,970)	(1,092)	(1,078)	(4,998)	(4,923)	2,721	2,354	931	1,099	(3,992)	(3,644)	5,971	5,873	5,561	5,704	1,536	2,324
-	-	-	-	-	-	-	1,500	-	-	-	-	-	-	-	-	-	1,500
-	-	-	-	-	-	-	3	-	-	-	-	-	-	-	-	-	3
-	-	-	-	-	-	-	-	-	-	-	-	43	-	-	-	54	78
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	18
338	1,080	283	285	-	-	(2,036)	(2,147)	1,360	1,037	1,452	2,362	(2,077)	(2,209)	216	222	7,543	24,054
(1,790)	(890)	(809)	(793)	(4,998)	(4,923)	685	1,710	2,291	2,136	(2,540)	(1,282)	3,937	3,664	5,777	5,926	9,134	27,977
2	2	2	2	2	2	2	2	2	2	17	2	2	2	2	2	195	174
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	2
(1)	120	-	22	(1)	89	6	(199)	-	(336)	(11)	357	-	201	-	74	(52)	259
1	122	2	24	1	91	8	(197)	2	(334)	6	359	2	203	2	76	146	435
412	1,349	198	260	460	446	1,002	2,525	682	693	662	828	810	344	561	651	11,946	29,816
413	1,471	200	284	461	537	1,010	2,328	684	359	668	1,187	812	547	563	727	12,092	30,251
(2,203)	(2,361)	(1,009)	(1,077)	(5,459)	(5,460)	(325)	(618)	1,607	1,777	(3,208)	(2,469)	3,125	3,117	5,214	5,199	(2,958)	(2,274)



# NEW ZEALAND MUTUAL LIABILITY RISKPOOL

## Cash Flow Statement for the year ended 30 June 2016

	Note	Fund No. 19 (15–16)		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)	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Cash flows from operating activities</b>															
<b>Cash was provided from:</b>															
Members' Contributions		1,916	-	(55)	4,418	-	9	-	-	-	-	-	-	-	-
Interest Received – Bank		3	-	5	14	3	-	-	3	-	-	-	2	(1)	(2)
Reinsurance recoveries received		-	-	-	-	440	-	497	100	613	286	17,114	315	911	-
		1,919	-	(50)	4,432	443	9	497	103	613	286	17,114	317	910	(2)
<b>Cash was applied to:</b>															
Reinsurance		(1,329)	-	-	(2,375)	-	-	-	-	-	-	-	-	-	(19)
Claims Manager's Fee		(350)	-	-	(921)	-	-	-	-	-	-	-	-	-	-
Fund & Scheme Manager's Fee		(547)	-	-	(907)	-	(11)	-	-	-	-	-	-	-	-
Contribution to expenses from prior fund years		623	-	-	796	-	-	-	-	-	-	-	-	-	-
Legal Fees		(13)	-	(1)	(19)	-	(29)	-	-	-	-	-	-	-	-
Claims		(143)	-	(833)	(88)	(415)	(854)	(183)	(527)	(51)	(350)	(18,002)	(62)	(375)	(560)
Consultants		(36)	-	(59)	(77)	-	(43)	-	-	-	-	-	-	-	-
Audit Fees		1	-	(9)	(1)	(1)	(11)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Other Expenses		(101)	-	15	(184)	-	(17)	-	-	-	-	-	-	-	-
Taxation (Paid)/Refunded		1	-	(2)	(1)	-	(1)	-	-	-	-	-	-	-	-
GST Refunded/(Paid)		(19)	-	(16)	(3)	21	(7)	23	(22)	(1)	19	-	(26)	13	(5)
		(1,913)	-	(905)	(3,780)	(395)	(973)	(161)	(551)	(53)	(333)	(18,003)	(90)	(363)	(586)
<b>Net Cash (outflow)/inflow from operating activities</b>	<b>5</b>	<b>6</b>	<b>-</b>	<b>(955)</b>	<b>652</b>	<b>48</b>	<b>(964)</b>	<b>336</b>	<b>(448)</b>	<b>560</b>	<b>(47)</b>	<b>(889)</b>	<b>227</b>	<b>547</b>	<b>(588)</b>
<b>Net (decrease)/increase in Cash held</b>		<b>6</b>	<b>-</b>	<b>(955)</b>	<b>652</b>	<b>48</b>	<b>(964)</b>	<b>336</b>	<b>(448)</b>	<b>560</b>	<b>(47)</b>	<b>(889)</b>	<b>227</b>	<b>547</b>	<b>(588)</b>
Opening Cash at 1 July		-	-	652	-	268	1,232	93	541	(856)	(809)	130	(97)	(1,378)	(790)
<b>Closing Cash at 30 June</b>		<b>6</b>	<b>-</b>	<b>(303)</b>	<b>652</b>	<b>316</b>	<b>268</b>	<b>429</b>	<b>93</b>	<b>(296)</b>	<b>(856)</b>	<b>(759)</b>	<b>130</b>	<b>(831)</b>	<b>(1,378)</b>
<b>Comprising of:</b>															
Cash		6	-	(303)	652	316	268	429	93	(296)	(856)	(759)	130	(831)	(1,378)
Short Term Bank Deposits		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>6</b>	<b>-</b>	<b>(303)</b>	<b>652</b>	<b>316</b>	<b>268</b>	<b>429</b>	<b>93</b>	<b>(296)</b>	<b>(856)</b>	<b>(759)</b>	<b>130</b>	<b>(831)</b>	<b>(1,378)</b>

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	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,861	4,427
-	-	(12)	(12)	(29)	(25)	8	112	16	11	(22)	(22)	68	95	15	13	54	189
-	503	-	-	-	-	-	2,520	-	-	-	-	-	(19)	-	-	19,575	3,705
-	503	(12)	(12)	(29)	(25)	8	2,632	16	11	(22)	(22)	68	76	15	13	21,490	8,321
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,329)	(2,394)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(350)	(921)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(547)	(918)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	623	796
-	-	-	-	-	-	-	-	-	-	(208)	(110)	-	-	-	-	(222)	(158)
(162)	(710)	(1)	(335)	(45)	(52)	(1,153)	(3,650)	(183)	(284)	(115)	(436)	36	3	(158)	(52)	(21,783)	(7,957)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(95)	(120)
(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(21)	(36)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(86)	(201)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	(2)
5	(15)	-	16	-	1	13	200	-	3	(2)	14	(5)	9	1	-	33	184
(158)	(727)	(2)	(321)	(46)	(53)	(1,141)	(3,452)	(184)	(283)	(326)	(534)	30	10	(158)	(54)	(23,778)	(11,727)
<b>(158)</b>	<b>(224)</b>	<b>(14)</b>	<b>(333)</b>	<b>(75)</b>	<b>(78)</b>	<b>(1,133)</b>	<b>(820)</b>	<b>(168)</b>	<b>(272)</b>	<b>(348)</b>	<b>(556)</b>	<b>98</b>	<b>86</b>	<b>(143)</b>	<b>(41)</b>	<b>(2,288)</b>	<b>(3,406)</b>
(158)	(224)	(14)	(333)	(75)	(78)	(1,133)	(820)	(168)	(272)	(348)	(556)	98	86	(143)	(41)	(2,288)	(3,406)
(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
<b>(2,128)</b>	<b>(1,970)</b>	<b>(1,092)</b>	<b>(1,078)</b>	<b>(4,998)</b>	<b>(4,923)</b>	<b>2,721</b>	<b>3,854</b>	<b>931</b>	<b>1,099</b>	<b>(3,992)</b>	<b>(3,644)</b>	<b>5,971</b>	<b>5,873</b>	<b>5,561</b>	<b>5,704</b>	<b>1,536</b>	<b>3,824</b>
(2,128)	(1,970)	(1,092)	(1,078)	(4,998)	(4,923)	2,721	2,354	931	1,099	(3,992)	(3,644)	5,971	5,873	5,561	5,704	1,536	2,324
-	-	-	-	-	-	-	1,500	-	-	-	-	-	-	-	-	-	1,500
<b>(2,128)</b>	<b>(1,970)</b>	<b>(1,092)</b>	<b>(1,078)</b>	<b>(4,998)</b>	<b>(4,923)</b>	<b>2,721</b>	<b>3,854</b>	<b>931</b>	<b>1,099</b>	<b>(3,992)</b>	<b>(3,644)</b>	<b>5,971</b>	<b>5,873</b>	<b>5,561</b>	<b>5,704</b>	<b>1,536</b>	<b>3,824</b>



# NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Notes to the Financial Statements for the year ended 30 June 2016

## 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 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 and compliance 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.

The financial statements have been prepared in accordance with the requirements of the Trust Deed dated 1 July 1997.

### 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. All revenue is exchange revenue.

### *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 Balance Sheet.

#### *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 \$7.1M (2015: \$6.4M) as at 30 June 2016. There is no unrecognised deferred tax asset in respect of timing differences at 30 June 2016 (2015: 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. Contingent liabilities and commitments**

The Scheme from time to time receives notification of legal claims and disputes in relation to claim settlements as a commercial outcome of conducting its business. The Scheme defends all such claims.

Other than possible future liabilities in respect of claims which have not yet been notified, the Scheme had no contingent liabilities at 30 June 2016 (2015: Nil).

The Scheme had no capital or operating lease commitments at 30 June 2016 (2015: Nil).



# NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Notes to the Financial Statements for the year ended 30 June 2016 *(continued)*

## Note 5. Reconciliation of Net (Deficit)/Surplus to Net Cash Flows from Operating Activities

*Cash Flow Statement Accounting Policy:*

*The Cash Flow Statement 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. 19 (15–16)		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)	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Net (Deficit)/Surplus</b>	(459)	-	-	(183)	70	(108)	9	25	53	481	27	(90)	(18)	(42)
<b>Add/(less) non cash items</b>														
Claims Provision	437	-	(864)	753	(42)	(752)	194	(419)	582	(553)	(909)	302	458	(332)
	<b>437</b>	<b>-</b>	<b>(864)</b>	<b>753</b>	<b>(42)</b>	<b>(752)</b>	<b>194</b>	<b>(419)</b>	<b>582</b>	<b>(553)</b>	<b>(909)</b>	<b>302</b>	<b>458</b>	<b>(332)</b>
<b>Add/(less) movements in other working capital items</b>														
Accrued Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GST Receivable	(24)	-	(5)	(15)	23	7	89	(18)	(78)	18	(6)	(32)	25	27
Taxation Receivable	3	-	(2)	2	-	-	-	-	-	-	-	-	-	-
Interfund Payable/Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trust Income Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepayments	-	-	-	-	-	-	18	-	-	-	-	-	-	-
Deferred Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution received in advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	(11)	-	48	(48)	-	12	28	(29)	3	8	-	47	-	(21)
Accounts Payable	60	-	(132)	143	(3)	(123)	(2)	(7)	-	(1)	(1)	-	82	(219)
	28	-	(91)	82	20	(104)	133	(54)	(75)	25	(7)	15	107	(213)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>6</b>	<b>-</b>	<b>(955)</b>	<b>652</b>	<b>48</b>	<b>(964)</b>	<b>336</b>	<b>(448)</b>	<b>560</b>	<b>(47)</b>	<b>(889)</b>	<b>227</b>	<b>547</b>	<b>(587)</b>



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	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
159	(136)	69	341	1	258	293	(2,424)	(170)	(891)	(740)	(335)	8	(493)	13	82	(685)	(3,515)
(195)	(76)	(61)	(738)	14	(336)	(1,633)	1,356	(333)	592	744	(233)	334	564	(83)	(122)	(1,357)	6
<b>(195)</b>	<b>(76)</b>	<b>(61)</b>	<b>(738)</b>	<b>14</b>	<b>(336)</b>	<b>(1,633)</b>	<b>1,356</b>	<b>(333)</b>	<b>592</b>	<b>744</b>	<b>(233)</b>	<b>334</b>	<b>564</b>	<b>(83)</b>	<b>(122)</b>	<b>(1,357)</b>	<b>6</b>
-	-	-	-	-	-	3	1	-	-	-	-	-	8	-	-	3	9
(122)	(16)	(22)	8	(90)	2	204	191	335	-	(367)	14	(201)	9	(73)	-	(312)	195
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	2
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	24	-	58	-	(1)	-	57	-	28	-	(1)	(43)	(1)	-	-	25	133
-	(20)	-	(2)	-	(1)	-	(1)	-	(1)	15	(1)	-	(1)	-	(1)	19	(235)
(122)	(12)	(22)	64	(90)	-	207	248	335	27	(352)	12	(244)	15	(73)	(1)	(246)	104
<b>(158)</b>	<b>(224)</b>	<b>(14)</b>	<b>(333)</b>	<b>(75)</b>	<b>(78)</b>	<b>(1,133)</b>	<b>(820)</b>	<b>(168)</b>	<b>(272)</b>	<b>(348)</b>	<b>(556)</b>	<b>98</b>	<b>86</b>	<b>(143)</b>	<b>(41)</b>	<b>(2,288)</b>	<b>(3,405)</b>



# NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Notes to the Financial Statements for the year ended 30 June 2016 *(continued)*

## Note 6. Claims

	Fund No. 19 (15–16)		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)	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Cumulative Claims Experience</b>														
Claims paid – Prior year(s)	-	-	81	-	452	83	862	563	2,243	1,918	1,227	1,174	2,479	2,124
Claims paid – Current year	133	-	362	81	317	368	275	299	(27)	325	17,995	53	469	355
Claims Provision – Undiscounted	(133)	-	1,803	3,201	823	1,545	1,577	858	61	79	530	17,695	414	567
Risk Margin – 75% PoA	2,230	-	-	-	-	-	-	-	-	-	-	-	-	-
Discounting	-	-	(36)	(109)	(20)	(42)	(54)	(29)	(2)	(4)	(20)	(1,011)	(14)	(30)
Gross claims incurred (Paid and estimated)	2,230	-	2,210	3,173	1,572	1,954	2,660	1,691	2,275	2,318	19,732	17,911	3,348	3,016
Less reinsurance received	-	-	-	-	(440)	-	(742)	(245)	(899)	(286)	(18,448)	(1,335)	(1,711)	(800)
Less reinsurance recoverable	(1,660)	-	(1,878)	(2,339)	(1,003)	(1,661)	(1,818)	(1,318)	(21)	(619)	(1,128)	(16,392)	(499)	(1,095)
<b>Total Net Claims</b>	<b>570</b>	<b>-</b>	<b>332</b>	<b>834</b>	<b>129</b>	<b>293</b>	<b>100</b>	<b>128</b>	<b>1,355</b>	<b>1,413</b>	<b>156</b>	<b>184</b>	<b>1,138</b>	<b>1,121</b>
<b>Claims Reconciliation</b>														
Claims Provision 1 July	-	-	3,092	-	1,503	1,738	829	1,502	75	911	16,684	487	537	881
Claims paid – Current year	(133)	-	(362)	(81)	(317)	(368)	(275)	(299)	27	(325)	(17,995)	(53)	(469)	(355)
Reinsurance recoveries received	-	-	-	-	440	-	497	100	613	286	17,114	273	911	-
Current year's claims received	2,230	-	-	3,173	-	-	-	-	-	-	-	-	-	-
Current year's reinsurance recoverable	(1,661)	-	-	(2,339)	-	-	-	-	-	-	-	-	-	-
Reassessment of prior years claims	-	-	(503)	-	(165)	(385)	(28)	(220)	(58)	(514)	(28)	82	16	24
Movement in reinsurance recoveries	1,661	-	(460)	2,339	(658)	518	500	(254)	(598)	(283)	(15,265)	15,895	(595)	(13)
<b>Claims Provision at 30 June</b>	<b>2,097</b>	<b>-</b>	<b>1,767</b>	<b>3,092</b>	<b>803</b>	<b>1,503</b>	<b>1,523</b>	<b>829</b>	<b>59</b>	<b>75</b>	<b>510</b>	<b>16,684</b>	<b>400</b>	<b>537</b>

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.

<b>Future Claims Administration Reserve</b>	<b>515</b>	<b>-</b>	<b>248</b>	<b>726</b>	<b>85</b>	<b>182</b>	<b>39</b>	<b>35</b>	<b>7</b>	<b>10</b>	<b>26</b>	<b>20</b>	<b>52</b>	<b>25</b>
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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	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
7,931	7,218	5,916	5,541	12,877	12,840	34,263	30,567	21,570	21,261	17,026	16,604	23,149	23,159	15,195	15,144	145,271	138,196
7	712	(22)	375	(45)	37	1,346	3,696	509	309	(236)	421	(277)	(9)	80	51	20,886	7,073
380	1,336	170	226	378	353	949	2,512	645	638	604	750	797	317	482	566	9,480	30,643
44	84	34	45	94	111	85	145	58	87	75	114	29	40	86	100	2,735	727
(12)	(71)	(6)	(11)	(13)	(17)	(32)	(131)	(21)	(31)	(16)	(36)	(17)	(13)	(7)	(15)	(270)	(1,550)
8,350	9,279	6,092	6,176	13,291	13,324	36,611	36,789	22,761	22,264	17,453	17,853	23,681	23,494	15,836	15,846	178,102	175,089
(1,000)	(1,000)	-	-	(260)	(260)	(21,354)	(21,354)	(7,128)	(7,128)	(1,749)	(1,749)	(24,663)	(24,663)	(4,867)	(4,867)	(83,261)	(63,687)
(338)	(1,080)	(283)	(285)	-	-	2,036	2,147	(1,360)	(1,037)	(1,452)	(2,362)	2,077	2,209	(216)	(222)	(7,543)	(24,054)
<b>7,012</b>	<b>7,199</b>	<b>5,809</b>	<b>5,891</b>	<b>13,031</b>	<b>13,064</b>	<b>17,293</b>	<b>17,582</b>	<b>14,273</b>	<b>14,099</b>	<b>14,252</b>	<b>13,742</b>	<b>1,095</b>	<b>1,040</b>	<b>10,753</b>	<b>10,757</b>	<b>87,298</b>	<b>87,348</b>
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
(7)	(712)	22	(375)	45	(37)	(1,346)	(3,696)	(509)	(309)	236	(421)	277	9	(80)	(51)	(20,886)	(7,073)
-	502	-	-	-	-	-	2,520	-	-	-	-	-	(19)	-	-	19,575	3,662
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,230	3,173
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,661)	(2,339)
(189)	133	(83)	(364)	(31)	(298)	(289)	2,530	175	901	509	188	57	573	(4)	(72)	(621)	2,578
(741)	117	(1)	(89)	-	(29)	112	(3,703)	323	(501)	(911)	9	132	(681)	(6)	(3)	(16,507)	13,322
<b>412</b>	<b>1,349</b>	<b>198</b>	<b>260</b>	<b>460</b>	<b>446</b>	<b>1,002</b>	<b>2,525</b>	<b>682</b>	<b>693</b>	<b>662</b>	<b>828</b>	<b>810</b>	<b>344</b>	<b>561</b>	<b>651</b>	<b>11,946</b>	<b>29,816</b>

26	55	20	20	26	15	33	30	7	15	33	25	13	15	13	15	1,143	1,188
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# NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Notes to the Financial Statements for the year ended 30 June 2016 *(continued)*

## Note 6. 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 expected 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 2016 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 2.21% to 2.93% with duration to payment of 0.25 to 19.75 years. The mean interest rate is 2.07% with a mean duration to payment of 1.51 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.

#### ***Review of Assumptions***

The normal review of assumptions in the year to 30 June 2016 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 \$0.754M. Similarly a 10% increase would result in a \$0.551M decrease.



# NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Notes to the Financial Statements for the year ended 30 June 2016 *(continued)*

## Note 7. 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. 19 (15–16)		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)	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Reinsurance Receivable 1 July	-	-	2,339	-	1,661	1,144	1,318	1,572	619	902	16,392	496	1,095	1,108
Reinsurance recoveries received	-	-	-	-	(440)	-	(497)	(100)	(613)	(286)	(17,114)	(273)	(911)	-
Current year's reinsurance recoverable	1,765	-	(342)	2,556	(154)	672	1,112	(32)	16	60	1,921	16,196	347	89
Reinsurance Receivable - Undiscounted at 30 June	1,765	-	1,997	2,556	1,067	1,816	1,933	1,440	22	676	1,199	16,419	531	1,197
Discounting	(105)	-	(119)	(217)	(64)	(155)	(115)	(122)	(1)	(57)	(71)	(27)	(32)	(102)
<b>Reinsurance Receivable - Discounted at 30 June</b>	<b>1,660</b>	<b>-</b>	<b>1,878</b>	<b>2,339</b>	<b>1,003</b>	<b>1,661</b>	<b>1,818</b>	<b>1,318</b>	<b>21</b>	<b>619</b>	<b>1,128</b>	<b>16,392</b>	<b>499</b>	<b>1,095</b>

Reinsurance is discounted in line with the discounting terms of the claims provision.

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 19 \$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 19 are covered by reinsurance. There are 22 low risk members that were covered for WHRS and Non-WHRs claims for fund years 13 to 19, 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	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
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	10,732
-	(502)	-	-	-	-	-	(2,520)	-	-	-	-	-	19	-	-	(19,575)	(3,663)
(721)	718	16	(63)	-	(29)	(18)	(1,382)	409	(405)	(818)	228	-	(905)	10	18	3,543	17,721
359	1,180	301	311	-	-	(2,165)	(2,346)	1,446	1,133	1,544	2,581	(2,209)	(2,414)	232	243	8,022	24,792
(21)	(100)	(18)	(26)	-	-	129	199	(86)	(96)	(92)	(219)	132	205	(17)	(21)	(480)	(738)
338	1,080	283	285	-	-	(2,036)	(2,147)	1,360	1,037	1,452	2,362	(2,077)	(2,209)	215	222	7,542	24,054



# NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Notes to the Financial Statements for the year ended 30 June 2016 *(continued)*

## Note 8. 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*

	2016	2015
	\$000	\$000
<b>Financial Asset: Loans and Receivables</b>		
Bank & Cash Equivalents	1,536	3,824
Sundry Debtors	54	81
Reinsurance Receivable	7,542	24,054
<b>Total Loans and Receivables</b>	<b>9,132</b>	<b>27,959</b>
<b>Financial Liability: Amortised Cost</b>		
Accounts Payable	195	174
<b>Total Amortised Cost</b>	<b>195</b>	<b>174</b>

## Note 9. Subsequent Events

There have been no other material events after 30 June 2016 that requires adjustment to or disclosure in the financial statements.

## Note 10. Going Concern

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

For Funds 7, 9 to 15, and 18 to 19, 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 Trustee determines that 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.



# 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** 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.

## 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.



## 2015–16 FUND YEAR MEMBERSHIP

Carterton District Council  
Chatham Islands Council  
Christchurch City Council  
Clutha District Council  
Environment Southland  
Far North District Council  
Gore District Council  
Hauraki District Council  
Hurunui District Council  
Hutt City Council  
Invercargill City Council  
Kaipara District Council  
Kapiti Coast District Council  
Masterton District Council  
Matamata-Piako District Council  
New Plymouth District Council  
Northland Regional Council  
Opotiki District Council  
Otorohanga District Council  
Palmerston North City Council  
Porirua City Council

Queenstown Lakes District Council  
Ruapehu District Council  
Selwyn District Council  
South Taranaki District Council  
South Wairarapa District Council  
Stratford District Council  
Taranaki Regional Council  
Tasman District Council  
Taupo 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 6140  
Attention: Jane Brown  
Telephone: 04 978 1268  
Facsimile: 04 978 1260  
E-mail: [jane.brown@riskpool.org.nz](mailto: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 6140	
Directors	Andrew Aitken (Chairman) Michael Hannan Tony Marryatt Jim Palmer Bryan Taylor (Advisory Director)	Auckland Auckland Christchurch Christchurch Auckland
Scheme & Fund Manager	Civic Assurance	
Claims Manager	Jardine Lloyd Thompson Limited	
Scheme Solicitors	Heaney & Partners	
Scheme Auditors	Dave Shadwell, Deloitte Limited On behalf of the Auditor-General	

**NEW ZEALAND LOCAL GOVERNMENT INSURANCE CORPORATION LIMITED**

("LGIC")

**AND**

**LOCAL GOVERNMENT MUTUAL FUNDS TRUSTEE 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.	<b>THE FUND</b>	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.

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- 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.		

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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.	<b>CONTRIBUTIONS TO SCHEME</b>		
	(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.				

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## 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)

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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)

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[www.riskpool.org.nz](http://www.riskpool.org.nz)

