Riskpool

NEW ZEALAND MUTUAL
LIABILITY RISKPOOL

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Local Government Mutual Funds Trustee Limited

Annual Report 2025



CLP

CIVIC LIABILITY POOL

CHAIR'S REPORT

New Zealand Mutual Liability Riskpool and Civic Liability Pool
Financial statements for the years ended 30 June 2022, 2023, 2024 and 2025

This annual report includes the financial statements for both New Zealand Mutual Liability Riskpool (Riskpool) and Civic Liability Pool (CLP), covering the financial year ended 30 June 2025. Due to the timing of the Annual Report, the Chair's Report relates to the financial years ended 30 June 2022, 2023, 2024 and 2025, and has been included in each of the respective annual reports. Riskpool's financial statements by Fund Year are available on request to the Scheme Manager (Civic Financial Services), as are CLP's Trust Deed and Riskpool's Trust Deed and Scheme Rules.

REPORTING PERIOD

The financial statements for the four years ended 30 June 2022 to 30 June 2025 are presented together in this report.

The period covered by these financial statements has been a busy and important one for Riskpool. During that period, the Scheme has continued to manage its remaining claims, including a number of significant mixed-defect claims. The Waterfront claim, in particular, gave rise to a number of complex issues, which the Board has worked through carefully with the Scheme's auditors. Those claims, and the associated reinsurance and member-call considerations, continue to be the principal matters affecting Riskpool's financial position.

The Trustee has now completed the financial statements for all four years. Each set of financial statements has been audited by Deloitte on behalf of the Auditor-General and received an unmodified audit opinion.

The audit reports do, however, draw attention to the inherent uncertainties associated with the outstanding claims provision, reinsurance receivables and reimbursement assets. Those uncertainties are not unexpected, given the nature of the Scheme's remaining claims and the ongoing disputes concerning mixed-defect claims.

RISKPOOL IN RUN-OFF

Riskpool operated as a mutual liability scheme for member councils from 1 July 1997 to 30 June 2017, a total of twenty Fund Years. At its peak, 82 out of a possible 85 district, unitary and regional councils participated in the Scheme.

Riskpool has been in run-off since 1 July 2017. No new Fund Years have been established since that date and the Scheme remains open only to administer and resolve claims arising from the twenty historical Fund Years, from 1997/98 to 2016/17. Given the long-tail nature of the remaining claims, predominantly weathertight ("leaky building") and mixed-defect matters, no date has been set for wind-up. Riskpool is expected to remain in run-off while those claims are resolved.

FINANCE

Riskpool's reported equity position moved as follows over the period:

- 30 June 2022: deficit of $4.8 million
- 30 June 2023: deficit of $6.9 million
- 30 June 2024: surplus of $1.0 million
- 30 June 2025: surplus of $1.2 million

The return to a positive equity position from the year ended 30 June 2024 reflects the member calls made during the period, which were applied to fund claims and to repay the working-capital facility previously provided by Civic Financial Services. As a mutual, Riskpool meets any shortfall in a Fund Year through calls on the Members of that Fund Year, in proportion to their original contributions.

Three calls on Members were made during and after the period:

- $12.884 million in November 2023 (Fund Years 7, 10, 11 and 12);
- $2.498 million in March 2025 (Fund Years 10, 13, 14 and 15); and
- $3.7 million in August 2025 (Fund Years 7, 10, 11, 12, 13, 14, 15, 18 and 19).

All called contributions have been received. Following the November 2023 call, Riskpool repaid in full the loans provided by Civic Financial Services, and those facilities were terminated. A new short-term facility of up to $1 million was put in place with Civic in September 2025 as a liquidity backstop; no funds have been drawn against it.

The Board recognises that member calls are significant for Members. The call process is only undertaken where required under the Trust Deed and Scheme Rules and is calculated by reference to the relevant Fund Years. The Board remains focused on ensuring that calls are made only where necessary and that costs, recoveries and reinsurance proceeds are allocated to the correct Fund Years.

As at 30 June 2025, Riskpool held cash and short-term bank deposits of $1.920 million. The financial statements also recognised a reimbursement asset of $18.910 million, reinsurance receivables of $0.903 million and a claims provision of $19.641 million. The claims provision remains the most significant liability in the accounts and is subject to actuarial assessment and the uncertainties noted in the audit report.

CLAIMS

Claims activity over the period continued to be dominated by a small number of large and complex weathertight and mixed-defect ("leaky building") claims.

The Waterfront claim served on Riskpool in 2017, which involved both weathertight and non-weathertight (mixed) defects and had been declined on legal advice, was resolved following the Supreme Court decision issued in August 2023 and was settled in January 2024.

Following that decision, other Members proceeded with claims against Riskpool in relation to further mixed-defect claims where cover had been declined. As at 30 June 2025, the Trustee assessed that it was likely a present obligation existed in respect of two of these claims, and a provision of $18.7 million has been recognised, matched by a corresponding reimbursement asset. Other mixed-defect claims remain in dispute; because their outcome cannot yet be reliably measured, they are disclosed as contingent liabilities rather than provided for.

Reinsurance remains Riskpool's primary source of funds for the claims it accepts; where reinsurance proves insufficient or is unavailable, shortfalls are met by calls on Members. A number of the reinsurance contracts are governed by English law, which can add complexity and delay to recovery. Defending and obtaining clarity on these claims, including to establish the legal position and to access reinsurance, has required significant legal and advisory input, and the associated costs increased over the period, most notably in the year ended 30 June 2025.

CIVIC LIABILITY POOL (CLP)

CLP was established in 2016 and was actively run during FY2016-17, with 20 member councils. Like Riskpool, CLP has been in run-off since July 2017.

CLP is structured differently from Riskpool. CLP has had ground-up reinsurance from commencement and all claims are expected to be 100% ceded to CLP's reinsurers, up to policy limits. As a result, movements in CLP's gross claims provision are offset by corresponding movements in reinsurance recoveries, with no net claims expense recognised in the statement of comprehensive revenue and expenses.

CLP's trust funds increased steadily over the period, from $1,855 as at 30 June 2022 to $8,896 as at 30 June 2025. As at 30 June 2025, CLP had a claims provision of $5.357 million and reinsurance recoveries receivable of $5.248 million. The financial statements record three open claims at year end, all of which are expected to be fully recoverable from the reinsurance providers.

No further member contributions are expected for CLP. The Pool will, however, remain open for the time being to manage and settle its remaining claims and related reinsurance recoveries.

ACKNOWLEDGEMENTS

I would like to thank Civic Financial Services, as Fund and Scheme Manager, for its continued support and assistance during the period covered by these financial statements. I would also like to thank Melville Jessup Weaver for actuarial services, Deloitte for their audit work on behalf of the Auditor-General, and the Scheme's legal and professional advisers for their advice and support.

Finally, I would like to thank my fellow directors for their work and commitment during a demanding period for Riskpool and CLP. The Board remains focused on managing both schemes carefully, transparently and in accordance with their governing documents as they continue through run-off.



Marty Grenfell

Chair
Local Government Mutual Funds Trustee Limited (Trustee)



NEW ZEALAND MUTUAL
LIABILITY RISKPOOL

Annual Report 2025

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TO THE READERS OF NEW ZEALAND MUTUAL LIABILITY RISKPOOL'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

The Auditor-General is the auditor of New Zealand Mutual Liability Riskpool ("Riskpool"). The Auditor-General has appointed me, Hamish Anton, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements of Riskpool on his behalf.

OPINION

We have audited the financial statements of Riskpool on pages 9 to 25, that comprise the statement of financial position as at 30 June 2025, the statement of comprehensive revenue and expenses, the statement of movements in equity 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 Riskpool:

- present fairly, in all material respects:
  - its financial position as at 30 June 2025; 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 the Public Sector Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR).

Our audit was completed on 8 May 2026. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Trustee and our responsibilities relating to the financial statements, we comment on other information and we explain our independence.

EMPHASIS OF MATTER – UNCERTAINTIES ASSOCIATED WITH THE OUTSTANDING CLAIMS PROVISION, REINSURANCE RECEIVABLES, AND REIMBURSEMENT ASSETS

Without modifying our opinion, we draw your attention to Note 4 of the financial statements that describes the inherent uncertainties in estimating the outstanding claims provision using actuarial assumptions, and the high degree of uncertainty relating to mixed defect claims, including whether it is likely a present obligation exists from proceedings arising from such claims. The uncertainties in the valuation of the outstanding claims provision lead to uncertainties in the valuation of the related reinsurance receivables and reimbursement assets as disclosed in Notes 5 and 6.

BASIS FOR OUR OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

RESPONSIBILITIES OF THE TRUSTEE FOR THE FINANCIAL STATEMENTS

The Trustee is responsible on behalf of Riskpool for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Trustee is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible, on behalf of Riskpool, for assessing Riskpool's ability to continue as a going concern. The Trustee is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Trustee intends to liquidate Riskpool or to cease operations, or has no realistic alternative but to do so.

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

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit 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 Riskpool's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trustee and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Riskpool's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Riskpool to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

INDEPENDENCE

We are independent of Riskpool in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as the auditor, we have no relationship with, or interests in, Riskpool.



Hamish Anton
for Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand

NEW ZEALAND MUTUAL LIABILITY RISKPOOL

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

FOR THE YEAR ENDED 30 JUNE 2025

	Note	2025 $000	2024 $000
REVENUE			
Member Calls Received	10	2,498	12,884
Contribution to expenses from FY 20 Reserve		-	20
CLAIMS RELATED MOVEMENTS			
Reinsurance Recoveries (Expense)/Income	5	(280)	(43)
Reimbursement (Expense)/Income		(1,343)	(4,269)
Direct Claims Income/(Expense)	4	1,834	313
Net Underwriting Result for the Period		**2,709**	**8,905**
INVESTMENT REVENUE		59	61
Total Revenue		**2,768**	**8,966**
EXPENDITURE			
Claims Managers Fee		-	20
Fund & Scheme Managers Fee	8	185	162
Audit Fees		48	42
Consultancy		677	198
Directors Fees		92	72
Interest Expense		-	228
Meeting/Travel Expenses		13	4
Directors & Officers Liability Insurance		38	38
Legal Fees		1,495	298
Printing and Stationery		9	9
Total Expenditure		**2,557**	**1,071**
(DEFICIT) / SURPLUS BEFORE TAX		**211**	**7,895**
Tax Expense		-	-
(DEFICIT) / SURPLUS AFTER TAX		**211**	**7,895**
TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR		**211**	**7,895**

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Statements.

NEW ZEALAND MUTUAL LIABILITY RISKPOOL
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2025

	Note	2025 $000	2024 $000
Total Trust Funds at 1 July		973	(6,922)
Total Comprehensive Revenue and Expenses for the year		211	7,895
TOTAL TRUST FUNDS AT 30 JUNE		**1,184**	**973**

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Statements.

NEW ZEALAND MUTUAL LIABILITY RISKPOOL

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2025

	Note	2025 $000	2024 $000
TRUST FUNDS			
Trust Accounts		1,184	973
TOTAL		**1,184**	**973**
Represented by:			
ASSETS			
Cash	7	610	305
Short Term Bank Deposits	7	1,310	1,550
Accrued Interest		9	15
GST Receivable		127	105
Reinsurance Receivable	4, 5, 7	903	1,263
Reimbursement Asset	6	18,910	20,253
TOTAL ASSETS		**21,869**	**23,491**
LIABILITIES			
Accounts Payable	7	1,044	676
Claims Provision	4	19,641	21,842
TOTAL LIABILITIES		**20,685**	**22,518**
SURPLUS / (DEFICIT) ASSETS OVER LIABILITIES		**1,184**	**973**

Signed on behalf of the Trustee, Local Government Mutual Funds Trustee Limited on 8 May 2026.

MARTY GRENFELL
CHAIR OF THE BOARD OF DIRECTORS

ROB FLANNAGAN
DEPUTY CHAIR OF THE BOARD OF DIRECTORS

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2025

	Note	2025 $000	2024 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Calls Received	10	2,498	12,884
Interest Received - Bank		66	46
GST (Paid) / Refunded		19	(17)
Reinsurance recoveries received	5	81	95
		2,664	13,008
Cash was applied to:			
Claims Managers Fee		-	(20)
Fund & Scheme Managers Fee	8	(185)	(162)
Legal Fees		(1,093)	(278)
Claims		(382)	(4,640)
Consultants		(796)	(62)
Audit Fees		-	-
Other Expenses		(143)	(115)
		(2,599)	(5,277)
NET CASH INFLOW FROM OPERATING ACTIVITIES		**65**	**7,731**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Redemption of Short Term Bank Deposits		240	-
Cash was applied to:			
Purchase of Short Term Bank Deposits		-	(1,550)
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES		**240**	**(1,550)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Loans Issued		-	504
		-	504
Cash was applied to:			
Loans Repaid		-	(6,380)
NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES		-	**(5,876)**
Net (decrease) / increase in cash held		305	305
Opening cash at 1 July		305	-
CLOSING CASH AT 30 JUNE		**610**	**305**

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Statements.

NOTE 1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

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

The purpose of the Scheme was to manage claims for civil liabilities made against Members of the Scheme which may arise in connection with the exercise by the members of any of their powers, by enabling members to be recompensed from the Scheme in respect of liabilities, thus reducing the need for insurance cover and reducing members' annual expenses. Through this collective approach the Scheme supports Members in effectively managing risk for the benefit of their residents and ratepayers.

Until June 2017 a separate Fund was established for each year providing cover for the period from 4pm 30 June to the following 4pm 30 June. From 1 July 2017 the Scheme is in run off (refer to the Going Concern assumption under 'Significant Judgements and Estimates' for more information).

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 ("LGMFT" or "Trustee") is the Trustee for the Scheme.

Civic Financial Services Limited (Civic) is the Fund and Scheme Manager for the Scheme. Civic holds all the shares in LGMFT in trust for the Members of Riskpool and the Civic Liability Pool (CLP), of which LGMFT is also the trustee.

Statement of Compliance

The financial statements have been prepared in accordance with the requirements of the Trust Deed dated 1 July 1997 and the provisions of the Deed of Variation of Deed of Trust dated 22 June 2007 and have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP).

For the purposes of complying with NZ GAAP, the Scheme is a Public Benefit Entity and complies with the Public Sector Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR). The criteria under which the Trust is eligible to report in accordance with PBE Standards RDR is that it is not publicly accountable and is not large.

The financial statements have been prepared for the Scheme and represent the total for Fund Years 1 (1997/98) to 20 (2016/17). Each Fund Year covers a period from 1 July to 30 June and is accounted for separately.

The Scheme financial statements are presented as a collection of these Fund Year (or "pool") accounts to simplify the presentation of Riskpool's current financial position. The statements capture all financial transactions for each Fund Year including contributions and calls, claims paid, operating expenses, reinsurance recoveries and any transfers between years. Behind the consolidated totals, a detailed record has been maintained for each Fund Year. Detailed statements for Fund Years 1 to 20 are available from the Fund and Scheme Manager on request.

General Accounting Policies

The reporting currency is New Zealand dollars and the presentation is in $NZ thousands. 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.

The assets and liabilities are disclosed in the Statement of Financial Position in an order that reflects their relative liquidity. The Scheme's assets and liabilities are expected to be recovered or settled no more than twelve months after the balance date, except the reinsurance receivable, reimbursement asset, and claims provision which are expected to be recovered or settled more than twelve months after the reporting date.

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 FROM EXCHANGE TRANSACTIONS

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the organisation and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

The Scheme can call on Members for contributions when there is a deficit in a particular Fund year. Members' contributions are recognised in the relevant Fund year for which they are invoiced. Any contributions relating to fund years that commenced prior to balance date are accrued if not yet invoiced.

FINANCIAL INSTRUMENTS

i) Recognition and measurement

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

Cash and Cash Equivalents

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

Receivables

Accounts receivable, reinsurance receivables 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 Accounts payable and loans. 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

The Scheme recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised costs. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

The Scheme applies the simplified model of recognising lifetime expected credit losses for all accounts receivables which do not have a significant financing component.

Loss allowances for trade receivables which are considered to have a significant financing component are measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECLs, the Scheme considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the entity's historical experience and informed credit assessment and including forward-looking information.

For other receivables, the Scheme applies a three-stage test to measuring ECLs:

Stage 1:

12-month ECL (past due 30 days or less)
Where there has been no evidence of a significant increase in credit risk since initial recognition, ECLs that result from possible default events within 12 months are recognised.

Stage 2:

Lifetime ECL not credit impaired (between 30 and 90 days past due)
Where there has been a significant increase in credit risk, ECLs that result from all possible default events over the life of the loan are recognised.

NOTE 1 STATEMENT OF ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

iii) Asset Quality *(continued)*

Impairment of Financial Assets *(continued)*

Stage 3:
Lifetime ECL credit impaired (greater than 90 days past due)
Where loans are in default or otherwise credit impaired, ECLs that result from all possible default events over the life of the loan are recognised.

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.

Significant Judgements and Estimates:

The preparation of financial statements requires the Trustee to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Disclosures relating to the Scheme's exposure to risk and uncertainties relating to claims are in Note 3 and 4, reinsurance receivables are in Note 5 and reimbursement assets in Note 6.

The following are the material judgements and estimates that the directors have made in the process of applying the Scheme's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

i) Going concern assumption

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

Total assets exceed total liabilities resulting in a positive equity position. The Trustee is able to levy the members of the Scheme 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 exercise a wide-ranging discretion to accept or reject claims in a way that gives effect to the terms of the Trust Deed and purpose of the scheme, for the benefit of all members. In exercising this discretion the Trustee must not act arbitrarily, capriciously or irrationally. For further information refer to item ii) below.

From 1 July 2017 the Scheme is in run off. The Scheme will remain open for the time being to administer existing and future claims for members of fund years 1 to 20. Given the long tail nature of the claims, no date has been set for the wind up of the Scheme.

There is no material uncertainty that casts doubt on the entity's ability to continue as a going concern or its ability to meet its obligations.

ii) Riskpool does not accept insurance risk

The Trustee has determined that Riskpool does not accept any insurance risk as defined in PBE IFRS 4 *Insurance Contracts* from its members, rather Riskpool issued mutual indemnity cover which did not fall within the scope of PBE IFRS 4 *Insurance Contracts*.

ii) Riskpool does not accept insurance risk *(continued)*

The Trustee considers that Riskpool has the right to reject a claim at the time the claim is made, rather than at the time of underwriting, which means the Scheme has broad discretion to reject the claim subsequent to the specified event occurring. Further, under the terms of the Deed, a call may be made on Members for additional contributions. Practically, calls are made of Members for a deficit in any fund year. This might occur if, for example, approved claims in any year were greater than existing contributions received.

NOTE 2 TAXATION

The income tax expense charged against any 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 $2.8M (2024: $3.0M) as at 30 June 2025. There is no unrecognised deferred tax asset in respect of temporary differences at 30 June 2025 (2024: Nil).

NOTE 3 CONTINGENT LIABILITIES AND COMMITMENTS AND CONTINGENT ASSETS

Contingent Liabilities Accounting Policy:

A contingent liability is disclosed when a possible obligation arises from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Scheme. A contingent liability is also disclosed when a present obligation arising from past events is not recognised because it is not probable that settlement of the obligation will result in a cost to the Scheme, or the amount of the obligation cannot be measured with enough reliability.

CURRENT LITIGATION:

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 declined claims and claims where there is merit in obtaining clarity about the legal interpretation in order to access reinsurance.

In 2017 proceedings were served against the Scheme by a member with regard to a claim where cover was declined based on legal advice and, following the outcome of those proceedings, other members have also proceeded with claims against the Scheme. More detail on these proceedings, including the impact on the claims provision, is included in Note 4.

The majority of these disputes involve late notification of claims by the members and are subject to Court proceedings. The Trustee has obtained expert legal and actuarial advice in relation to these proceedings. Based on that advice, the Trustee is defending the majority of these proceedings on the basis that the Scheme is not liable for the relevant claims. In addition, there is insufficient information available at this stage to reliably measure the outcome of those proceedings. Consequently, no provisions have been made in the financial statements for these claims. The Scheme had contingent liabilities at 30 June 2025 in relation to these mixed-defect claims (2024: as described above for 2025). At this stage these contingent liabilities are not quantifiable.

In prior year financial statements a claims provision was recognised in relation to a claim brought against a Member.

On 17 December 2025 the High Court dismissed the claim in its entirety. The plaintiff filed an appeal to the Court of Appeal in February 2026. The Trustee has received legal advice from the Member's solicitors that the appeal is weak and highly unlikely to succeed.

NOTE 3 CONTINGENT LIABILITIES AND COMMITMENTS AND CONTINGENT ASSETS *(continued)*

Contingent Liabilities Accounting Policy: *(continued)*

CURRENT LITIGATION: *(continued)*

Having considered that advice and applied the relevant accounting standards, the Trustee has concluded that it is not probable that Riskpool will be found liable in respect of this claim or that any related outflow of resources will arise beyond the cost of managing the claim to resolution. The claimant and the Member remain in correspondence with a view to agreeing terms under which the appeal may be withdrawn.

As a result, the claims provision has been removed. While the Trustee anticipates the matter will be resolved in the near term, it has not yet been finally determined and has therefore been disclosed as a contingent liability.

Contingent Assets Accounting Policy:

A contingent asset is disclosed when a possible economic benefit arises from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Scheme. A contingent asset is also disclosed when a present obligation arising from past events is not recognised because it is not probable that settlement of the obligation will result in a benefit to the Scheme, or the amount of the benefit cannot be measured with enough reliability.

If liability is determined by the Courts, the Scheme has contingent assets in relation to these disputed claims as it expects these liabilities would be reimbursable under its reinsurance policies once any particular fund year that the liability arises from reaches the reinsurance threshold. At this stage these contingent assets are not quantifiable.

The Scheme had no capital or operating lease commitments at 30 June 2025 (2024: Nil).

NOTE 4 CLAIMS

Claims Accounting Policy:

Claims on the Scheme are accepted at the Trustee's discretion. Accepted claims are provided for when notified and claims provisions are recognised at the Trustee's best estimate of future expected claims costs. The claims provision includes provision for future expected claims settlement, and claims incurred with insufficient provision reserved. It also includes expected future claims handling costs.

	2025 $000	2024 $000
CUMULATIVE CLAIMS EXPERIENCE		
Claims paid – Prior year(s)	186,035	181,290
Claims paid / (received) – Current year	366	4,745
Claims Paid	186,401	186,035
Claims Provision – Undiscounted	20,622	23,755
Risk Margin – 75% PoA	78	78
Discounting	(1,059)	(1,991)
Claims Provision	19,641	21,842
Gross claims incurred (Paid and estimated)	206,042	207,877
Less reinsurance received	(91,627)	(91,547)
Less reinsurance recoverable	(903)	(1,263)
TOTAL NET CLAIMS	**113,512**	**115,067**

	2025 $000	2024 $000
CLAIMS PROVISION RECONCILIATION		
Claims Provision 1 July	21,842	26,932
Less: Claims (paid) / received	(366)	(4,745)
Less: Direct Claims related expense paid	(1)	(32)
Add: Reassessment of prior years' claims	(1,835)	(345)
Add: Directly settled claims expense	1	32
Direct Claims Expense	(1,834)	(313)
CLAIMS PROVISION AT 30 JUNE	**19,641**	**21,842**

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

Claims on the Scheme may arise either as claims brought by Members for indemnity under the terms of the protection wording or as legal claims brought directly by Members against the trustee company in the event of a dispute. All such claims, regardless of their form, are recognised and provided for under the Scheme's direct claims expense framework once they have been accepted by the Trustee. The Direct Claims Expense represents claim payments adjusted for movement in the claims provision. Current year claims relate to claims in the current financial year. Prior year claims relate to a reassessment of the claims assumptions (e.g., changes in economic assumptions, claim experience) made in all previous financial years, and include the effects of discounting caused by changes in the discount rate and the natural unwinding of the discount as the claims move one year closer to settlement. 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 does not include a profit component, which is assumed to be zero.

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

The Trustee takes all reasonable steps to ensure that it has 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 that are not fully reinsured impact profit and loss in the year in which the estimates are changed and are reflected in the Scheme financial statements in the particular Fund Year that they relate to.

In 2017 proceedings were served against the Scheme by a member with regard to a claim where cover was declined on legal advice. The claim involved both weathertight and non-weathertight defects, i.e., a mixed-defect claim. The claim was settled in January 2024.

NOTE 4 CLAIMS *(continued)*

Claims Accounting Policy: *(continued)*

Following this ruling, other members have also served proceedings against the Scheme with regards to mixed-defect claims where cover was also declined by the Scheme based on legal advice. As at the date of signing of these financial statements, the Scheme has assessed it is likely a present obligation exists as at 30 June 2025 in relation to two of these subsequent claims from a member. As a result, a provision of $18.698M (revalued from $20.06M in 2024) has also been recognised in relation to this and included within the claims provision and the reimbursement asset (see Note 6). It is unknown when these two claims will be settled.

Key Assumptions:

As at 30 June 2025 the central estimate of the claims provision was quantified by Jeremy Holmes (Fellow of the NZ Society of Actuaries) of Melville Jessup Weaver in accordance with the requirements of the NZ Society of Actuaries: *Professional Standard No. 30 Valuations of General Insurance Claims.* Mr Holmes has confirmed he is 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 members' aggregate claim limits. Key assumptions include inflation and discount rates.

DISCOUNT RATES:

The interest rates used for discounting were gross yields to redemption of NZ Government debt of appropriate duration taken from the NZ Debt Management office website. The rates range from 3.13% to 4.30% (2024: 4.57% to 5.51%) with duration to payment of 0.25 to 7 years. The mean interest rate is 3.93% (2024: 4.40%) with an estimated timing of net cash outflows from the claims liability of 2.30 years (2024: 2.16 years).

INFLATION RATES:

Inflation is allowed for implicitly in the development patterns based on historical claim movements.

RISK MARGIN:

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

RELIANCE ON CASE ESTIMATES:

For mixed defect claims estimates provided by members have been relied on, including information received subsequent to balance date and up until the date of signing of these financial statements. For all other claims the estimates provided by Riskpool's claims manager have been incorporated and adjusted in line with historical variations to estimates.

CLAIMS HANDLING EXPENSES:

Claims handling costs have been estimated by forecasting operational expenses. Because Riskpool is in run-off, the claims handling allowance is intended to cover the operational expenses incurred in the processing of settling the claims that have been provided for.

Sensitivity to Key Assumptions

The normal review of assumptions in the year to 30 June 2025 includes interest discounting, finalisation patterns, zero/non-zero claim probabilities and case estimate credibility assumptions.

The sensitivity analysis below shows the impact of a change in key assumptions higher and lower at the beginning of the financial year and held constant throughout the year. Each sensitivity has been calculated in isolation to other changes, so an effect could be compounding. The effects of the sensitivity for the overall claims provision to key assumption changes are in the following table.

		2025		
Assumptions	**Movement**	**Claims provision net of reinsurance receivable ($000s)**	**Sensitivity adjusted result ($000s)**	**Impact of sensitivity adjustment ($000s)**
Discount rate	+1%	18,391	18,108	-283
	-1%	18,391	18,684	293
Reliance on case estimates (Average indemnity claim)	+$1M	18,391	22,333	3,942
	–$1M	18,391	15,546	-2,845

Areas of estimation uncertainty

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 quantification of the non-leaky component of mixed-defect claims, the Courts determination about whether late notified claims are covered under the Scheme, 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 regulatory interventions. 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.

The estimation of the claims provision is subject to a level of uncertainty. For 'leaky building' and 'mixed defect 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 Trustee's best estimate as at the date of the signed financial statements but should be viewed in respect of the uncertainties.

Risk management policies and procedures:

Risks faced by the Scheme include the risk that the cost of claims against the Scheme is higher than the planned cost, with the consequence, in extreme cases, that the Scheme cannot meet its claims liabilities. The objective of the Scheme was to ensure that sufficient reserves are available to cover the liabilities associated with the mutual indemnity cover contracts that it issued. The risk exposure was mitigated by diversification across the portfolios of contracts with members. The variability of risks was also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of outwards reinsurance arrangements. The Scheme also purchased reinsurance as part of its risk mitigation programme.

NOTE 5 REINSURANCE

Reinsurance Recoveries Accounting Policy:

Reinsurance recoveries are provided for when the estimated claims incurred exceed the reinsurance excess level and the reinsurance claim has been acknowledged and accepted by the reinsurer. These debtors are stated at estimated realisable value.

	2025 $000	2024 $000
REINSURANCE RECEIVABLE RECONCILIATION		
Reinsurance Receivable 1 July	1,263	1,402
Reinsurance recoveries (received) / paid	(81)	(95)
Current year's reinsurance recoverable	(263)	-
Reinsurance Receivable – Undiscounted at 30 June	920	1,307
Discounting	(17)	(43)
REINSURANCE RECEIVABLE – DISCOUNTED AT 30 JUNE	**903**	**1,263**

	2025 $000	2024 $000
REINSURANCE RECOVERIES INCOME		
Current year's reinsurance receivable	(263)	-
Discounting	(17)	(43)
REINSURANCE RECOVERIES INCOME – DISCOUNTED AT 30 JUNE	**(280)**	**(43)**

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. Refer to note 4 for more details on the estimation uncertainty. 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 for each fund year as shown below:

FUND NO. (YEAR)	Maximum Claims Paying Exposure
Fund 1 (1997/1998)	$2M
Fund 2 (1998/1999)	$2.5M
Fund 3 (1999/2000), Fund 4 (2000/2001, Fund 5 (2001/2002)	$3M
Fund 6 (2002/2003)	$3.25M
Fund 7 (2003/2004)	$3.5M
Fund 8 (2004/2005), Fund 9 (2005/2006)	$4M
Fund 10 (2006/2007)	$6M
Fund 11 (2007/2008)	$1.5M
Fund 12 (2008/2009)	$1.625M
Fund 13 (2009/2010)	$1M
Fund 14 (2010/2011)	$0
Fund 15 (2011/2012)	$1.35M
Fund 16 (2012/2013, Fund 17 (2013/2014, Fund 18 (2014/2015, Fund 19 (2015/2016, Fund 20 (2016/2017)	$0

However Funds 7 to 9 do not have reinsurance cover for Weathertight Homes Resolution Service ('WHRS') "leaky homes" claims, with the provision for these claims at 30 June 2025 being $Nil (2024: $Nil). Funds 10 and thereafter have limited reinsurance cover for "leaky homes" claims. All claims for Funds 14 to 20 are covered by reinsurance. There are 22 low risk members that have some cover for WHRS and Non-WHRS claims for fund years 13 to 20, these risks being fully reinsured.

Reinsurance is the primary source of funds for claims that Riskpool accepts. If there is delay in reinsurers paying a claim or if reinsurers refuse to pay, then the cost of that claim falls on Riskpool's membership. The process of ensuring the reinsurers meet their indemnity obligations can be protracted, with multiple reinsurers in the "tower" for any fund year. The relevant reinsurance contracts are governed by English Law, with disputes to be resolved in the English commercial court in London. This adds complexity and potential delay to any resolution.

NOTE 6 REIMBURSEMENT ASSET AND INCOME

Due to the circumstances disclosed in Note 4, effective 1 July 2021 Riskpool have assessed whether it is virtually certain that the entity would be reimbursed for any unfunded claims liabilities. Given the development in legal and other proceedings since approval of the immediately preceding financial statements, it is the considered view of the Trustee that it is now virtually certain that any such unfunded claims will be reimbursed by a call on Members as permitted in the Trust Deed.

If liability is ultimately determined by the Courts, the claim is accepted by the Scheme and a claims provision is recognised in respect of that liability, the Scheme recognises a corresponding reimbursement asset. This reflects the expectation that such liabilities are reimbursable under the Scheme's established funding framework. Reinsurance remains Riskpool's primary source of reimbursement for claims. Recoveries will be pursued from reinsurers in due course and accounted for in line with the Scheme's reinsurance programme and the relevant fund year thresholds.

To the extent that reinsurance recoveries are not sufficient to cover the liabilities in full, or where reinsurance is not available, Riskpool funds any shortfall by making calls on members in accordance with the Trust Deed. This dual funding mechanism, through reinsurance recoveries in the first instance, and member calls if required, ensures that Riskpool is able to meet its obligations as they fall due.

As at 30 June 2025 the reimbursement asset is estimated at $18.91M (2024: $20.253M). The movement in the reimbursement asset has resulted in a $1.343M (2024: $4.269M) decrease recognised in the Statement of Comprehensive Revenue and Expense.

NOTE 7 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.

	2025 $000	2024 $000
CARRYING VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES		
Financial Asset: Cash and Receivables		
Cash	610	305
Term Deposits	1,310	1,550
Reinsurance Receivable	903	1,263
TOTAL CASH AND RECEIVABLES	**2,823**	**3,118**
Financial Liability: Amortised Cost		
Accounts Payable	1,044	676
TOTAL AMORTISED COST	**1,044**	**676**

NOTE 8 RELATED PARTIES

i) Administration Fees

Civic is the Fund and Scheme Manager to the Fund. During the year the Scheme paid management fees to Civic of $185k (2024: $162k).

ii) Loans

Secured loan agreements between Civic and Local Government Mutual Funds Trustee Limited ('LGMFT') on behalf of New Zealand Mutual Liability Riskpool ("Riskpool") were entered into in February 2017 (Loan 1), in August 2017 (Loan 2) and again in March 2023 (Loan 3) to assist with Riskpool's cashflow requirements. The amount under each agreement is for a loan of up to $2.25M (previously $3M - amended on 15 November 2018) for loans 1 and 2 and up to $2.5M for loan 3 and under the terms of the loans the interest rate is set as BKBM plus a margin. All three loans were fully repaid by Riskpool to Civic in December 2023 after a call was made on members (refer to Notes 10 and 11 for further information). These three agreements were all subsequently terminated.

A new loan agreement providing short term funding of up to $1M was entered into between Civic and LGMFT on behalf of Riskpool in September 2025. No funding has been drawn down.

iii) Director fees

During the year, fees of $92k (2024: $72k) were paid to the Directors of the Trustee, who are considered related parties of the Scheme.

NOTE 9 AUDIT FEES

Audit fees payable for 2025 are $48,100 (2024: $42,223).

NOTE 10 TRUST FUNDS

Riskpool's Trust Fund is structured as a series of self-contained "Fund Years" running from 1997 to 2017. Each Fund Year covers a period from 1 July to 30 June and accounted for separately. At the start of each year, members contributed amounts intended to meet that year's expected claims and operating costs. When estimates proved too low, or when legacy claims arise out of a fund year, any shortfall is met by additional calls on members in proportion to their original contributions. In the event of a surplus, the Board may either return it to members or carry it forward to support a later Fund Year.

Reinsurance is the primary source of funds for claims that Riskpool accepts. If there is delay in reinsurers paying a claim or if reinsurers refuse to pay, then the cost of that claim falls on Riskpool's membership. Riskpool made a call on members for $12.884M across fund years 7, 10, 11 & 12 in November 2023 and another call on members for $2.498M across fund years 10, 13, 14 & 15 in March 2025. A further call on members was made subsequent to 30 June 2025 to help fund deficits (see Note 11 for further details). The process of ensuring the reinsurers meet their indemnity obligations can be protracted, with multiple reinsurers in the "tower" for any fund year. The relevant reinsurance contracts are governed by English Law, with disputes to be resolved in the English commercial court in London. This adds complexity and potential delay to any resolution.

In the accounts, the Trust Fund is presented as a collection of these Fund Year (or "pool") accounts to simplify the presentation of Riskpool's current financial position. Behind the consolidated totals, a detailed record has been maintained for each Fund Year, tracking contributions and calls, claims paid, operating expenses, reinsurance recoveries and any transfers between years. Members are able to access these Fund Year schedules on request to see the underlying movements in more detail.

NOTE 11 SUBSEQUENT EVENTS

A loan agreement providing short term funding of up to $1M was entered into between Civic and LGMFT on behalf of Riskpool in September 2025. No funding has been drawn down.

One call on members of the Scheme for additional contributions has been made since balance date. The call was for $3.7M across fund years 7, 10, 11, 12, 13, 14, 15, 18 & 19 in August 2025. All additional contributions from the call have been received as at the date these financial statements were authorised.

Apart from the events noted above as well as claims developments prior to the date of signing which have been considered in the claims provision (refer Note 4) and contingent liabilities (refer Note 3), there have been no other material events after 30 June 2025 that requires adjustment to or disclosure in the financial statements.

NEW ZEALAND MUTUAL LIABILITY RISKPOOL

DIRECTORY

Registered Office	Level 6 Wellington Chambers 154 Featherston Street PO Box 5521 Wellington 6140
Directors	Marty Grenfell (Chair) Rob Flannagan Nicola Mills Ken Morris Craig Stevenson
Fund & Scheme Manager	Civic Financial Services Limited
Claims Manager	Marsh Limited
Scheme Solicitors	Bell Gully
Scheme Auditors	Hamish Anton, Deloitte Limited On behalf of the Auditor-General

A copy of the Local Government Mutual Funds Trustee Limited Trust Deed and Riskpool Scheme Rules is available on request to:

New Zealand Mutual Liability Riskpool
P O Box 5521, Wellington 6140
Telephone: 04 978 1250
E-mail: admin@riskpool.org.nz

CLP

CIVIC LIABILITY POOL



Annual Report 2025

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TO THE READERS OF CIVIC LIABILITY POOL'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

The Auditor-General is the auditor of Civic Liability Pool ("CLP"). The Auditor-General has appointed me, Hamish Anton, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements of CLP on his behalf.

OPINION

We have audited the financial statements of CLP on pages 33 to 41, that comprise the statement of financial position as at 30 June 2025, the statement of comprehensive revenue and expenses, the statement of movements in equity 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 CLP:

- present fairly, in all material respects:
  - its financial position as at 30 June 2025; 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 Sector Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR).

Our audit was completed on 8 May 2026. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Trustee and our responsibilities relating to the financial statements, we comment on other information and we explain our independence.

EMPHASIS OF MATTER – UNCERTAINTIES ASSOCIATED WITH THE OUTSTANDING PROVISION FOR CLAIMS AND REINSURANCE RECEIVABLES

Without modifying our opinion, we draw your attention to Note 5 of the financial statements that describes the inherent uncertainties in estimating the outstanding provision for claims using actuarial assumptions. The uncertainties in the valuation of the outstanding provision for claims lead to uncertainties in the valuation of the related reinsurance receivables as disclosed in Note 4.

BASIS FOR OUR OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

RESPONSIBILITIES OF THE TRUSTEE FOR THE FINANCIAL STATEMENTS

The Trustee is responsible on behalf of CLP for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Trustee is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible, on behalf of CLP, for assessing CLP's ability to continue as a going concern. The Trustee is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Trustee intends to liquidate CLP or to cease operations, or has no realistic alternative but to do so.

The Trustee's responsibilities arise from clause 5.4 of the Trust Deed of CLP.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit 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 CLP's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trustee and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CLP's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CLP to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

INDEPENDENCE

We are independent of CLP in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as the auditor, we have no relationship with, or interests in, CLP.



Hamish Anton
for Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand

CIVIC LIABILITY POOL

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

FOR THE YEAR ENDED 30 JUNE 2025

	Note	2025 $	2024 $
REVENUE			
Interest – Bank Deposits		3,152	4,203
TOTAL REVENUE		**3,152**	**4,203**
EXPENDITURE			
Direct Expenses			
Gross Claims Expense	5	380,000	225,000
Reinsurance Recoveries	4	(380,000)	(225,000)
Net Claims Expense		-	-
Other Expenses			
Sundry Expenses		65	142
		65	**142**
TOTAL EXPENDITURE		**65**	**142**
SURPLUS BEFORE TAX		**3,087**	**4,061**
Tax Expense		864	1,137
SURPLUS AFTER TAX		**2,223**	**2,924**
TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR		**2,223**	**2,924**

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Statements.

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2025

	Note	2025 $	2024 $
Total Trust Funds at 1 July		**6,673**	**3,749**
Total Comprehensive Revenue and Expenses for the year		2,223	2,924
TOTAL TRUST FUNDS AT 30 JUNE		**8,896**	**6,673**

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Statements.

CIVIC LIABILITY POOL

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2025

	Note	2025 $	2024 $
TRUST FUNDS	8		
Trust Accounts		8,796	6,573
Trust Capital Account	3	100	100
TOTAL		**8,896**	**6,673**
Represented by:			
ASSETS			
Bank	6	117,388	115,342
Accounts Receivable	3,6	100	100
Reinsurance Recoveries Receivable	4,6	5,248,060	4,868,060
GST Receivable		-	-
TOTAL ASSETS		**5,365,548**	**4,983,502**
LIABILITIES			
Accounts Payable	6	163	-
Provision for Tax		(510)	(171)
Provision for Claims	5	5,357,000	4,977,000
TOTAL LIABILITIES		**5,356,653**	**4,976,829**
EXCESS OF ASSETS OVER LIABILITIES		**8,896**	**6,673**

Signed on behalf of the Trustee, Local Government Mutual Funds Trustee Limited on 8 May 2026.

MARTY GRENFELL
CHAIR OF THE BOARD OF DIRECTORS

ROB FLANNAGAN
DEPUTY CHAIR OF THE BOARD OF DIRECTORS

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2025

	Note	2025 $	2024 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was Provided from:			
Interest Received – Bank		3,152	4,203
Reinsurance Recoveries Received*	4	-	-
Net GST		-	-
		3,152	4,203
Cash was Applied to:			
Claims*	5	-	-
Other Expenses		1,106	1,318
		1,106	1,318
NET CASH FLOW FROM OPERATING ACTIVITIES		**2,046**	**2,885**
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES			
Cash was provided from:			
Funding		-	-
Cash was applied to:			
Repayment of funding		-	-
NET CASH FLOW FROM INVESTING AND FINANCING ACTIVITIES		-	-
Net Increase in Cash Held		2,046	2,885
Opening Cash Balance		115,342	112,457
CLOSING CASH BALANCE		**117,388**	**115,342**

* Claims directly settled by the reinsurer to the claimant are not reflected in the Cash Flow Statement.

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Statements.

NOTE 1 REPORTING ENTITY

The Civic Liability Pool (the 'Pool' or 'CLP') is a trust registered on 17 June 2016.

The purpose of the Civic Liability Pool is to assist Member local authorities with financing and managing their Civil Liabilities in order to reduce Members' expenses, thus benefitting Local Authority residents and ratepayers.

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

Civic Financial Services Limited ('Civic') is the Administration Manager for CLP. Civic holds all the shares in LGMFT in trust for the Members of CLP, and the New Zealand Mutual Liability Riskpool ('Riskpool') of which LGMFT is also the Trustee.

CLP was actively run during the financial year from 1 July 2016 till 30 June 2017 (FY16-17) and had 20 member councils. From July 2017, CLP has been in run-off mode (refer to Note 9 for more information).

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

Statement of Compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). CLP is a Public Sector Public Benefit Entity (PBE) as defined by XRB A1 and has elected to use PBE Standards RDR to prepare its Financial Statements, on the basis that it does not have public accountability and is not large.

NOTE 2 STATEMENT OF ACCOUNTING POLICIES

General Accounting Policies

The reporting currency is New Zealand dollars. Income and expenses are accounted for on an accruals basis.

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.

INCOME RECOGNITION

Contributions are recorded in the Statement of Comprehensive Revenue and Expenses in the year in which they relate. All revenue is exchange revenue.

GOODS AND SERVICES TAX

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

TAXATION

The income tax expense charged against any 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.

Changes in Accounting Policies

There have been no changes in accounting policies during the year. All policies have been applied on a basis consistent with the previous year.

NOTE 3 RELATED PARTIES

From July 2017, as a result of the decision to not offer any further cover, Civic as the sole shareholder of the Pool's Trustee undertook to pay all non-claim costs charged to the Pool. Audit fees of $22,974 (2024: $20,251) in relation to the Pool are charged to Civic.

There is a potential time lag between claims being paid by CLP and the funds being available to meet those claims via reinsurance receipts. During 2017 Civic undertook to facilitate claim payments by providing the funds at no cost on a short-term basis with repayment due on receipt of the Pool's reinsurance receivables. Funding payable to Civic at 30 June 2025 is $Nil (2024: $Nil).

LGMFT, as Trustee of CLP under the CLP Trust Deed ('Deed') dated 17 June 2016, holds $100 (2024: $100) upon the trusts declared in the Deed. This transaction is recorded as a receivable in the financial statements of CLP.

NOTE 4 REINSURANCE

Accounting Policy:

Reinsurance recoveries are provided for when a claim is incurred. These debtors are stated at estimated realisable value.

	2025 $	2024 $
Reinsurance Receivable 1 July	4,868,060	4,643,060
Reinsurance recoveries received	-	-
Current year's reinsurance receivable	380,000	225,000
REINSURANCE RECEIVABLE – DISCOUNTED AT 30 JUNE	**5,248,060**	**4,868,060**

CLP has had ground up reinsurance from commencement. All claims are expected to be 100% ceded to CLP's reinsurers, up to policy limits.

There are three open claims at the year end. All are fully recoverable from the reinsurance providers.

NOTE 5 PROVISIONS FOR CLAIMS

Accounting Policy:

Claims against the Pool are accepted at the Trustee's discretion. Accepted claims are provided when notified and claims provisions are recognised at the Trustee'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 reserved.

	2025 $	2024 $
CUMULATIVE CLAIMS EXPERIENCE		
Claims paid – Prior Year	11,667,351	11,667,351
Claims paid – Current Year	-	-
Claims Provision	5,357,000	4,977,000
Gross claims incurred (Paid and estimated)	17,024,351	16,644,351
Less reinsurance received	(11,776,291)	(11,776,291)
Less reinsurance receivable	(5,248,060)	(4,868,060)
TOTAL NET CLAIMS	**-**	**-**
CLAIMS PROVISION RECONCILIATION		
Claims Provision 1 July	4,977,000	4,752,000
Less: Claims paid – Current year	-	-
Add: Current year's claims	380,000	225,000
Direct Claims Expense	380,000	225,000
CLAIMS PROVISION AT 30 JUNE	**5,357,000**	**4,977,000**

The claims provision is measured as the best estimate of expected future payments relating to claims incurred at the reporting date and are discounted 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 is an estimate reliant on many judgemental inputs regarding future events and key variables.

Because all claims are ceded 100% to CLP's reinsurers up to policy limits, there is no variability in the net outstanding claims hence no risk margin has been applied.

The Trustee takes all reasonable steps to ensure that they have appropriate information regarding claims exposures. 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. Because the claims are reinsured, changes in claims estimates are offset by changes in reinsurance recoveries in the year in which the estimates are changed hence there is no impact on the profit and loss.

Central Estimate of Claims Provision

As at 30 June 2025 the central estimate of the claims provision was quantified 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 Standard No. 30 Valuations of General Insurance Claims*.

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 members' aggregate claim limits. Key assumptions include inflation and discount rates.

The interest rates used for discounting range from 3.13% to 3.74% (2024: 4.60% to 5.51%) with weighted average of duration to payment of 2.4 years (2024: 3.4 years). The weighted average interest rate is 3.41% (2024: 4.65%).

NOTE 6 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.

	2025	2024
	$	$
CARRYING VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES		
Financial Asset: Cash and Receivables		
Cash	117,388	115,342
Accounts Receivable	100	100
Reinsurance Recoveries Receivable	5,248,060	4,868,060
TOTAL RECEIVABLES	**5,365,548**	**4,983,502**
Financial Liability: Amortised Cost		
Accounts Payable	163	-
TOTAL AMORTISED COST	**163**	**-**

NOTE 7 CONTINGENT LIABILITIES AND COMMITMENTS

It is possible that actual claims will exceed the claims provision. If so, any excess will be fully covered by reinsurance. Other than this, the Pool had no contingent liabilities at 30 June 2025 (2024: Nil). The Pool had no capital or operating lease commitments at 30 June 2025 (2024: Nil).

NOTE 8 TRUST FUNDS

CLP is a trust registered on 17 June 2016. LGMFT is the Trustee for the Scheme. The charitable purpose of the Trust is to establish and maintain, subject to the terms of the Deed, a Trust Fund for the benefit of the Members with the intention that Members need for insurance cover and consequent insurance expenses are reduced long term, thus benefitting Local Authority residents and ratepayers.

The Trust Fund is held in trust by the Trustee upon the Trusts and for the Charitable Purposes contained in the Deed.

At the start of each year, members contributed amounts intended to meet that year's expected operating costs. All claims are ceded 100% to CLP's reinsurers up to policy limits meaning members contributions are not required to fund claims.

Members have no right or claim against the Trust on wind up except in respect of any application for a Claim made prior to the commencement of wind up. Once all costs, liabilities and claims have been settled the payment of any balance in the Trust Fund will be made to another organisation, as decided by the Trustee, that has purposes similar to those of the Trust.

NOTE 9 GOING CONCERN

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

No further member contributions are expected, but the Pool will remain open for the time being to administer existing claims from members of the 2017 Pool year. The Pool will be able to provide liability cover in the future if this is what the sector wants and market conditions favour doing so. There are three open claims at the date of signing. There is an element of uncertainty as to when these will be settled.

Once the outstanding claims are settled the Board will decide on the future of the Pool, to either:

a) Continue as a dormant entity;
b) Provide liability cover in the future; or
c) Wind up the Pool.

NOTE 10 EVENTS AFTER BALANCE DATE

Apart from claims development prior to signing which have been considered in the claims provision, there have been no material events subsequent to balance date.

DIRECTORY

Registered Office	Level 6 Wellington Chambers 154 Featherston Street PO Box 5521 Wellington 6140
Directors	Marty Grenfell (Chair) Rob Flannagan Nicola Mills Ken Morris Craig Stevenson
Fund & Scheme Manager	Civic Financial Services Limited
Claims Manager	Marsh Limited
Scheme Solicitors	Bell Gully
Scheme Auditors	Hamish Anton, Deloitte Limited On behalf of the Auditor-General

A copy of the Local Government Mutual Funds Trustee Limited Trust Deed and Riskpool Scheme Rules is available on request to:

New Zealand Mutual Liability Riskpool
P O Box 5521, Wellington 6140
Telephone: 04 978 1250
E-mail: admin@riskpool.org.nz

Riskpool

NEW ZEALAND MUTUAL
LIABILITY RISKPOOL

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CLP

CIVIC LIABILITY POOL

