



Local Government Mutual Funds Trustee Limited
Annual Report 2017

CONTENTS

Chairman's Report	1
CLP Annual Report 2017	3
Riskpool Annual Report 2017	19

THE YEAR IN REVIEW

The past year has involved some tough decisions for the Directors of Local Government Mutual Funds Trustee Limited (LGMFT). After launching Civic Liability Pool (CLP) as an alternative to Riskpool for the 2016-17 year, the Directors decided in early 2017 that they would not offer renewed cover for either scheme from 1 July 2017. This was a difficult decision to make, but support from the sector has dropped in recent years and without good support it is not viable for Riskpool and/or CLP to offer new covers. The decision not to renew cover came as a disappointment to some, but the 2016-17 combined Riskpool and CLP membership of only 31 councils does not allow us to offer the competitively priced cover and risk management services that Riskpool was able to offer in the past.

On behalf of LGMFT I would like to extend my sincere thanks to Riskpool's and CLP's loyal members. We estimate that over the past 20 years Riskpool has saved its members around \$250 million in insurance premiums (and the sector even more). Additionally, Riskpool has been involved in the establishment of a considerable body of new case law that has limited legal liability for local authorities and helped clarify duties of care. We suspect that Riskpool and CLP will be better appreciated by the sector once they are no longer available and so for the time being we will be keeping CLP and Riskpool 'on hold' should sufficient numbers in the sector want one or the other resurrected.

FINANCE

As at 30 June 2017 Riskpool's accounts show a deficit of \$3.7 million. In February 2017, LGMFT entered into a secured loan facility agreement with Civic Financial Services Ltd (Civic) whereby Civic loans Riskpool up to \$3 million at commercial interest rates and a further agreement for another \$3 million from Civic has been entered into in case it is needed. As of today (8 December), the loan from Civic is \$1.1 million.

As can be seen from the above financial position, there will need to be a call on members before Riskpool is wound up. At this stage we cannot give a timeline or quantify exactly how much the call will be as this will depend on claims still to be settled. We are currently exploring through Riskpool's reinsurance broker the possibility of purchasing reinsurance for Riskpool's unreinsured risks. While the reinsurers that Riskpool's broker has approached have been receptive to the possibility of a buyout of these risks, the certainty a buyout will bring to Riskpool may not be cheap.

We appreciate that calls are undesirable, but we will endeavour to give councils as much notice as possible before a call is made.

As you are probably aware, CLP was structured so as to not require calls, and claims are covered by ground-up reinsurance. Because of this, after its first year CLP has a surplus of \$0.002 million.

We have changed the annual report this year to include the financial statements for both CLP and Riskpool. Riskpool's financial statements by Fund Year are available on request to the Scheme Manager (Civic Financial Services Ltd), as are CLP's Trust Deed and Riskpool's Trust Deed and Scheme Rules.

CLAIMS

In keeping with the trend of recent years, the total number of open claims has continued to decrease with there being 109 open claims at 30 June 2017, of which 25 relate to leaky buildings. Net ultimate claims are \$87.4 million (2016: \$87.3 million). A number of large claims have been settled in the past year including a claim against Tasman District Council relating to erosion on Jakkett Island, and a negligence claim against Gisborne District Council in which the judge found the council had acted negligently by failing to address the fire hazard on their land. With the claims payments made in the last year it brings the total claims paid during Riskpool's 20 years to \$166.2 million.

In its first year, CLP received 75 notifications, 64 for professional indemnity and 11 for public liability. The reserves held for current claims at 30 June 2017 totalled \$0.81 million, which is fully recoverable from reinsurers, so CLP's net liability is nil.

In June, Riskpool had proceedings served on it by Napier City Council in relation to a concurrent liability claim which has been declined. Riskpool has taken Queen's Council advice and will be defending its decision to decline cover. Proceedings through the High Court by Wellington City Council against Riskpool for over \$9 million in damages served in 2014 took place in September 2017. Riskpool won this case.

CHANGES TO THE BOARD

During the year Andrew Aitken and Jim Palmer stepped down from the LGMFT Board. I would like to thank Andrew and Jim for the three and nine years respectively they have served on the Board. Andrew's insurance and Jim's local government knowledge has been immensely useful as we have navigated the past few years. Following Andrew's and Jim's resignations it was decided to operate the LGMFT Board with members from Civic's Board to minimise administration expenses. The Board now consists of me as Chair, Tony Gray, Mike Hannan, John Melville and Basil Morrison.

ACKNOWLEDGMENTS

I would like to extend my thanks to Civic Financial Services Limited, in particular to Tim Sole, Jane Brown, Ian Brown and Caroline Bedford, as Fund and Scheme Manager. I would also like to thank our Claims Manager Paul Carpenter, our Scheme Solicitors at Heaney & Partners, and Jeremy Holmes of MJW for the actuarial services provided for both Riskpool and CLP.



Tony Marryatt
Chairman



Annual Report 2017

CONTENTS

Independent Auditor's Report	5
Statement of Financial Performance	8
Statement of Movements in Equity	9
Statement of Financial Position	10
Cash Flow Statement	11
Notes to the Financial Statements	12
2016–17 Fund Year Membership	17
Directory	18

TO THE READERS OF CIVIC LIABILITY POOL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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

OPINION

We have audited the financial statements of the Pool on pages 8 to 16 that comprise the Statement of Financial Position as at 30 June 2017 the statement of financial performance, 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 the Pool:

- present fairly, in all material respects:
 - its financial position as at 30 June 2017; 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 Simple Format Reporting – Accrual (Public Sector) Standards.

Our audit was completed on 8 December 2017. 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, and we explain our independence.

BASIS FOR 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 the Pool 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 they determine is necessary to enable them 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 the Pool for assessing the Pool's ability to continue as a going concern. The Trustee is also responsible for disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless the Trustee intends to wind up the Pool or to cease operations, or have no realistic alternative but to do so.

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

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.

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 the Pool'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 the Pool'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 the Pool 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.

OTHER INFORMATION

The Trustee is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENCE

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

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



Michael Wilkes, Partner
for DELOITTE LIMITED
On behalf of the Auditor-General
Christchurch, New Zealand

STATEMENT OF FINANCIAL PERFORMANCE

For The Year Ended 30 June 2017

	Note	2017 \$	2016* \$
INCOME			
Members' Contributions		834,231	-
Interest - Bank Deposits		1,934	-
TOTAL INCOME		836,165	-
EXPENDITURE			
Direct Expenses			
Claims Expense		840,233	-
Reinsurance Recoveries		(840,233)	-
Total Claims Expense		-	-
Excess of Loss Insurance Premium		695,192	-
		695,192	-
Other Expenses			
Administration Fees		138,343	-
Sundry Expenses		68	-
	3	138,411	-
TOTAL EXPENDITURE		833,603	-
NET SURPLUS BEFORE TAX		2,562	-
Tax Expense		846	-
NET SURPLUS		1,716	-

* The above comparative is for the period 17 June 2016 to 30 June 2016.

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 2017

	Note	2017 \$	2016* \$
Total Trust Funds at 1 July		100	100
Net Surplus		1,716	-
TOTAL TRUST FUNDS AT 30 JUNE		1,816	100

* The above comparative is for the period 17 June 2016 to 30 June 2016.

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

STATEMENT OF FINANCIAL POSITION

As At 30 June 2017

	Note	2017 \$	2016 \$
TRUST FUNDS			
Trust Accounts		1,716	-
Trust Capital Account		100	100
TOTAL		1,816	100
Represented by:			
ASSETS			
Bank	6	11,888	-
Accounts Receivable		100	100
Reinsurance Recoveries Receivable	4	840,233	-
GST Receivable		2,214	-
TOTAL ASSETS		854,435	100
LIABILITIES			
Accounts Payable		39,773	-
Provision for Tax		846	-
Provision for Claims	5	812,000	-
TOTAL LIABILITIES		852,619	-
EXCESS OF ASSETS OVER LIABILITIES		1,816	100

Signed on behalf of the Trustee, Local Government Mutual Funds Trustee Limited on 8 December 2017



TONY MARRYATT CHAIRMAN



TONY GRAY DIRECTOR

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

CIVIC LIABILITY POOL
CASH FLOW STATEMENT
 For The Year Ended 30 June 2017

	Note	2017 \$	2016* \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was Provided from:			
Members' Contributions		834,231	-
Interest Received – Bank		1,934	-
		836,165	-
Cash was Applied to:			
Net Claims		28,233	-
Excess of Loss Insurance		695,192	-
Administration Fees		98,571	-
Other Expenses		68	-
Net GST Paid		2,214	-
		824,277	-
NET CASH FLOW FROM OPERATING ACTIVITIES		11,888	-
Net Increase in Cash Held		11,888	-
Opening Cash Balance		-	-
CLOSING CASH BALANCE		11,888	-

* The above comparative is for the period 17 June 2016 to 30 June 2016.

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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2017

NOTE 1 REPORTING ENTITY

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

The purpose of the Civic Liability Pool is to provide professional indemnity and public liability cover to Member local governments and to manage claims for civil liabilities made against Members, thus benefitting Local Authority residents and ratepayers.

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) has been appointed to act as the Trustee for the Pool.

Civic Financial Services Limited (Civic) is the Administration Manager for the Pool and holds all the shares in LGMFT in trust for the Members of Riskpool.

Statement of Compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and with the Public Benefit Entity (PBE) Simple Format Reporting – Accrual (Public Sector) Standards on the basis that it is not publicly accountable 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 Financial Performance 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 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.

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 OPERATING EXPENSES

Audit fees (\$13,850) and actuarial fees (\$13,923) in relation to the Pool are charged to Civic.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2017

NOTE 4 REINSURANCE

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

	2017	2016*
	\$	\$
Reinsurance Receivable 1 July	-	-
Reinsurance recoveries received	-	-
Current year's reinsurance recoverable	840,233	-
REINSURANCE RECEIVABLE – DISCOUNTED AT 30 JUNE	840,233	-

* The above comparative is for the period 17 June 2016 to 30 June 2016.

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

NOTE 5 PROVISION FOR 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 reserved.

Claims are made following quantification and approval by the Trustee.

	2017	2016*
	\$	\$
CUMULATIVE CLAIMS EXPERIENCE		
Claims paid	28,233	-
Movement in Claims Provision	812,000	-
Gross claims incurred (paid and estimated)	840,233	-
Less reinsurance received	-	-
Less reinsurance recoverable	(840,233)	-
TOTAL NET CLAIMS	-	-
CLAIMS PROVISION RECONCILIATION		
Claims Provision 1 July	-	-
Less: Claims paid – Current year	(28,233)	-
Add: Current year's claims	840,233	-
Direct Claims Expense	840,233	-
CLAIMS PROVISION AT 30 JUNE	812,000	-

* The above comparative is for the period 17 June 2016 to 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2017

NOTE 5 PROVISION FOR CLAIMS *Continued*

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 reserved ("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%. Because all claims are expected to be ceded 100% to CLP's reinsurers up to policy limits, there is no variability in the net outstanding claims hence the risk margin is zero.

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. Because the claims are fully 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 2017 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. 30 Valuations of General Insurance Claims*.

Mr Holmes 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. Key assumptions used are inflation and 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 1.86% to 3.27% with duration to payment of 0.50 to 12.25 years. The mean interest rate is 2.65% with an estimated timing of net cash outflows from the claims liability of 4.4 years.

The claims provision is considered the Trustee's best estimate as at the date of the signed accounts, however the outstanding claims net of reinsurance is nil.

Areas of estimation uncertainties

Many assumptions were made in arriving at the estimated figure of the claims provision and related reinsurance receivables. The estimate takes into account all known relevant factors and draws on 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. The Pool has ground up reinsurance cover so outstanding claims net of reinsurance are nil.

Review of 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 would increase by \$0.548M. Similarly a 10% increase would result in a \$0.290M decrease. Claims net of reinsurance would remain at zero.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2017

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.

	2017	2016*
	\$000	\$000
CARRYING VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES		
Financial Asset: Cash and Receivables		
Cash	11,888	-
Accounts Receivable	100	100
Reinsurance Recoveries Receivable	840,233	-
TOTAL RECEIVABLES	852,221	100
Financial Liability: Amortised Cost		
Accounts Payable	39,773	-
TOTAL AMORTISED COST	39,773	-

* The above comparative is for the period 17 June 2016 to 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2017

NOTE 7 CONTINGENT LIABILITIES AND COMMITMENTS

Other than possible future liabilities in respect of claims which have not yet been notified and are fully reinsured, the Pool had no contingent liabilities at 30 June 2017 (2016: Nil). The Pool had no capital or operating lease commitments at 30 June 2017 (2016: Nil).

NOTE 8 GOING CONCERN

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

From 1 July 2017 the Pool will be in run off. No further contributions will be received however the Pool will remain open to administer existing and future claims for members of the 2017 Pool year. Given the long tail nature of the claims, no date has been set for the wind up of the Pool, however 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.

NOTE 9 EVENTS AFTER BALANCE DATE

There have been no material events subsequent to balance date.

2016–17 FUND YEAR MEMBERSHIP

Chathams Islands Council

Clutha District Council

Environment Southland

Gore District Council

Hauraki District Council

Invercargill City Council

Kaipara District Council

Masterton District Council

New Plymouth District Council

Palmerston North City Council

Selwyn District Council

South Taranaki District Council

South Wairarapa District Council

Stratford District Council

Tasman District Council

Waimate District Council

Wairoa District Council

Waitaki District Council

Whakatane District Council

Whangarei District Council

A copy of the Civic Liability Pool Trust Deed and Guidelines is available on request to:

Civic Liability Pool

P O Box 5521, Wellington 6140

Telephone: 04 978 1250

Facsimile: 04 978 1260

E-mail: admin@civicfs.co.nz

Registered Office
 9th Floor
 Civic Assurance House
 116 Lambton Quay
 PO Box 5521
 Wellington 6140

Directors	Tony Marryatt (Chairman)	Auckland
	Michael Hannan	Auckland
	John Melville (appointed 1 October 2016)	Wellington
	Basil Morrison (appointed 28 October 2016)	Paeroa
	Tony Gray (appointed 28 October 2016)	Hastings

During the year:

- Andrew Aitken resigned on 30 September 2016;
- James Palmer resigned on 28 October 2016;
- Mark Butcher was appointed on 28 October 2016 and resigned 15 February 2017.

Administration Manager Civic Financial Services Limited

Claims Manager Jardine Lloyd Thompson Limited

Scheme Solicitors Heaney & Partners

Scheme Auditors Michael Wilkes, Deloitte Limited
 On behalf of the Auditor-General



NEW ZEALAND MUTUAL
LIABILITY RISKPOOL

Annual Report 2017

CONTENTS

Independent Auditor's Report	21
Statement of Financial Performance	24
Statement of Movements in Equity	25
Statement of Financial Position	26
Cash Flow Statement	27
Notes to the Financial Statements	28
2016–17 Fund Year Membership	34
Directory	35

TO THE READERS OF NEW ZEALAND MUTUAL LIABILITY RISKPOOL'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

OPINION

We have audited the financial statements of the Scheme on pages 24 to 33 that comprise the statement of financial position as at 30 June 2017, the statement of financial performance, 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 the Scheme:

- present fairly, in all material respects:
 - its financial position as at 30 June 2017; 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 Reduced Disclosure regime.

Our audit was completed on 8 December 2017. 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 AND REINSURANCE RECEIVABLES

Without modifying our opinion, we draw your attention to Note 5 and 6 to the financial statements. The notes describe the variables that may affect the outstanding claims provision and related reinsurance receivables. Note 5 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 related 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 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 the Scheme 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 they determine is necessary to enable them 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 the Scheme for assessing the Scheme's ability to continue as a going concern. The Trustee is also responsible for disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless the Trustee intend to wind up the Scheme or to cease operations, or have no realistic alternative but to do so.

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

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.

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 the Scheme'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 the Scheme'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 the Scheme 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.

OTHER INFORMATION

The Trustee is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENCE

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

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



Michael Wilkes, Partner
for DELOITTE LIMITED
On behalf of the Auditor-General
Christchurch, New Zealand

STATEMENT OF FINANCIAL PERFORMANCE

For The Year Ended 30 June 2017

	Note	2017 \$000	2016 \$000
REVENUE			
Members' Contributions		467	1,916
Contribution to expenses from prior fund years		511	623
Reinsurance Recoveries	6	6,503	3,067
Direct Claims Expense	5	(6,625)	(3,017)
Claims Administration Expense		(511)	(623)
Reinsurance Expense		(362)	(1,329)
Net Result for the Period		(17)	637
Investment Revenue		7	51
TOTAL REVENUE		(10)	688
EXPENDITURE			
Claims Manager's Fee		-	350
Fund & Scheme Manager's Fee	8	331	547
Audit Fees		42	22
Tax Compliance Services		3	4
Consultancy		32	97
Directors' Fees		51	42
Interest Expense		23	-
Meeting/Travel Expenses		2	8
Marketing		-	1
Directors & Officers Liability Insurance		46	49
Legal Fees		195	231
Printing and Stationery		18	19
Sundry Expenses		-	2
TOTAL EXPENDITURE		743	1,372
NET COMPREHENSIVE INCOME/(LOSS) BEFORE TAX		(753)	(684)
Tax Expense		-	-
NET COMPREHENSIVE INCOME/(LOSS) BEFORE TAX		(753)	(684)

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 2017

	Note	2017 \$000	2016 \$000
Total Trust Funds at 1 July		(2,958)	(2,274)
Net Comprehensive Income/(Loss)		(753)	(684)
TOTAL TRUST FUNDS AT 30 JUNE		(3,711)	(2,958)

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

STATEMENT OF FINANCIAL POSITION

As At 30 June 2017

	Note	2017 \$000	2016 \$000
TRUST FUNDS			
Trust Accounts		(4,364)	(3,611)
Trust Capital Account		653	653
TOTAL		(3,711)	(2,958)
Represented by:			
ASSETS			
Cash	7	15	1,536
Accounts Receivable		58	54
Prepayments		-	1
Reinsurance Receivable	6	12,870	7,543
TOTAL ASSETS		12,943	9,134
LIABILITIES			
Accounts Payable		216	195
Taxation Payable		3	3
GST Payable/(Receivable)		144	(52)
Loans	9	1,502	-
Claims Provision	5	14,789	11,946
TOTAL LIABILITIES		16,654	12,092
DEFICIT ASSETS OVER LIABILITIES		(3,711)	(2,958)

Signed on behalf of the Trustee, Local Government Mutual Funds Trustee Limited on 8 December 2017



TONY MARRYATT CHAIRMAN



TONY GRAY DIRECTOR

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 2017

	Note	2017 \$000	2016 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Members' Contributions		467	1,861
Contribution to expenses from prior fund years		511	623
Interest Received – Bank		7	54
GST Refunded		541	33
Reinsurance recoveries received		1,176	19,575
		<u>2,702</u>	<u>22,146</u>
Cash was applied to:			
Reinsurance		(362)	(1,329)
Claims Manager's Fee		-	(350)
Fund & Scheme Manager's Fee		(331)	(547)
Legal Fees		(113)	(222)
Claims		(4,723)	(21,783)
Consultants		(20)	(95)
Audit Fees		(39)	(21)
Other Expenses		(115)	(86)
Taxation Paid		-	(1)
		<u>(5,703)</u>	<u>(24,434)</u>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(3,001)	(2,288)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Loans		1,480	-
		<u>1,480</u>	<u>-</u>
NET CASH INFLOW FROM FINANCING ACTIVITIES		1,480	-
Net decrease in cash held		(1,521)	(2,288)
Opening cash at 1 July		1,536	3,824
CLOSING CASH AT 30 JUNE		15	1,536

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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2017

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 provisions 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 (LGMFT) is the Trustee for the Scheme.

Civic Financial Services Limited (Civic) is the Fund and Scheme Manager for the Scheme and also holds all the shares in LGMFT in trust for the Members of the Scheme.

Statement of Compliance

The financial statements have been prepared in accordance and compliance with 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 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 been prepared in accordance with generally accepted accounting practice in New Zealand.

The financial statements have been prepared for the Scheme and represent the total for Fund Years 1 to 20. 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. 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2017

Bank and Cash Equivalents

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

Receivables

Accounts receivables, reinsurance recoveries 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***

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 \$7.8M (2016: \$7.1M) as at 30 June 2017. There is no unrecognised deferred tax asset in respect of timing differences at 30 June 2017 (2016: 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2017

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 2017 (2016: Nil).

The Scheme had no capital or operating lease commitments at 30 June 2017 (2016: Nil).

NOTE 5 CLAIMS

Claims Accounting Policy: All 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, incurred but not reported claims, and incurred but not enough reserved. It also includes expected future claims handling costs.

	2017 \$000	2016 \$000
CUMULATIVE CLAIMS EXPERIENCE		
Claims paid – Prior year(s)	166,158	145,271
Claims paid – Current year	3,782	20,886
Claims provision – Undiscounted	14,539	11,760
Risk Margin – 75% PoA	489	505
Discounting	(239)	(320)
Gross claims incurred (paid and estimated)	184,729	178,102
Less reinsurance received	(84,437)	(83,261)
Less reinsurance recoverable	(12,870)	(7,543)
TOTAL NET CLAIMS	87,422	87,298
CLAIMS PROVISION RECONCILIATION		
Claims Provision 1 July	11,946	29,816
Less: Claims Paid	(3,782)	(20,886)
Add: Current year's claims	965	2,230
Reassessment of prior years' claims	5,660	786
Direct Claims Expense	6,625	3,016
CLAIMS PROVISION AT 30 JUNE	14,789	11,946
FUTURE CLAIMS ADMINISTRATION RESERVE	1,089	1,143

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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2017

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 reserved ("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 that are not fully reinsured impact profit and loss in the year in which the estimates are changed.

Central Estimate of Claims Provision

As at 30 June 2017 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 Standard No. 30 Valuations of General Insurance Claims*. Mr Holmes 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 used are inflation and 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 1.81% to 3.66% with duration to payment of 0.25 to 19.75 years. The mean interest rate is 2.26% with an estimated timing of net cash outflows from the claims liability of 1.47 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 Trustee'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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2017

NOTE 5 CLAIMS *Continued***Review of Assumptions**

The normal review of assumptions in the year to 30 June 2017 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 \$0.660M. Similarly a 10% increase would result in a \$0.619M decrease.

NOTE 6 REINSURANCE

Reinsurance Recoveries Accounting Policy:

Reinsurance recoveries are provided for when the estimated claims incurred exceed the reinsurance excess level. Reinsurance is recognised when received in the Scheme bank account. These debtors are stated at estimated realisable value.

	2017	2016
	\$000	\$000
REINSURANCE RECEIVABLE RECONCILIATION		
Reinsurance Receivable 1 July	7,543	24,053
Reinsurance recoveries received	(1,176)	(19,575)
Current year's reinsurance recoverable	6,673	3,545
Reinsurance Receivable – Undiscounted at 30 June	13,040	8,023
Discounting	(170)	(480)
REINSURANCE RECEIVABLE – DISCOUNTED AT 30 JUNE	12,870	7,543

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 20 \$0. However Funds 7 to 9 do not have reinsurance cover for WHRS "leaky homes" claims and Funds 10 and thereafter have limited reinsurance cover for "leaky homes" claims. All claims for Funds 14 and 16 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2017

	2017 \$000	2016 \$000
CARRYING VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES		
Financial Asset: Cash and Receivables		
Cash	15	1,536
Accounts Receivable	58	54
Reinsurance Receivable	12,870	7,543
TOTAL CASH AND RECEIVABLES	12,943	9,133
Financial Liability: Amortised Cost		
Accounts Payable	216	195
Loans	1,502	-
TOTAL AMORTISED COST	1,718	195

NOTE 8 RELATED PARTIES

Civic is the Fund and Scheme Manager to the Fund. During the year the Scheme paid management fees to Civic of \$0.331M (2016: \$0.547M).

NOTE 9 LOANS

In February 2017 a secured loan facility agreement between LGMFT and Civic was entered into whereby Civic loans Riskpool up to \$3M at commercial interest rates. As at 30 June 2017 \$1.502M was drawn down.

NOTE 10 SUBSEQUENT EVENTS

In August 2017 a second secured loan facility agreement between LGMFT and Civic was entered into whereby Civic loans Riskpool up to \$3M at commercial interest rates.

There have been no other material events after 30 June 2017 that requires adjustment to or disclosure in the financial statements.

NOTE 11 GOING CONCERN

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

While the total liabilities exceed total assets indicating a shortfall in equity, 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 not pay a claim if the Trustee determines that the individual Funds of the Scheme are not in a position to do so.

From 1 July 2017 the Scheme will be in run off. No further contributions will be received however the Scheme will remain open 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, however the Scheme will be able to provide liability insurance in the future if this is what the sector wants and market conditions favour doing so.

NEW ZEALAND MUTUAL LIABILITY RISKPOOL
2016–17 FUND YEAR MEMBERSHIP

Carterton District Council

Far North District Council

Matamata-Piako District Council

Opotiki District Council

Otorohanga District Council

Ruapehu District Council

Taranaki Regional Council

Taupo District Council

Waikato Regional Council

Waipa District Council

Waitomo District Council

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

Facsimile: 04 978 1260

E-mail: admin@civicfs.co.nz

Registered Office	9th Floor Civic Assurance House 116 Lambton Quay PO Box 5521 Wellington 6140	
Directors	Tony Marryatt (Chairman) Michael Hannan John Melville (appointed 1 October 2016) Basil Morrison (appointed 28 October 2016) Tony Gray (appointed 28 October 2016)	Auckland Auckland Wellington Paeroa Hastings
	<p>During the year:</p> <ul style="list-style-type: none"> • Andrew Aitken resigned on 30 September 2016; • James Palmer resigned on 28 October 2016; • Mark Butcher was appointed on 28 October 2016 and resigned 15 February 2017. 	
Fund & Scheme Manager	Civic Financial Services Limited	
Claims Manager	Jardine Lloyd Thompson Limited	
Scheme Solicitors	Heaney & Partners	
Scheme Auditors	Michael Wilkes, Deloitte Limited On behalf of the Auditor-General	





www.riskpool.org.nz