



**RANGITIKEI**  
DISTRICT COUNCIL

*Making this place home.*

# **Audit/Risk Committee Meeting**

# **Order Paper**

**Monday, 12 February 2018  
2.00pm**

**Council Chamber, Rangitikei District Council  
46 High Street, Marton**

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**Chair**

Mr Craig O'Connell

**Membership**

Councillors Nigel Belsham, Angus Gordon and Dean McManaway  
His Worship the Mayor, Andy Watson (ex-officio)

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**Please Note:** Items in this agenda may be subject to amendments or withdrawal at the meeting. It is recommended therefore that items not be reported upon until after adoption by the Council. Reporters who do not attend the meeting are requested to seek confirmation of the agenda material or proceedings of the meeting from the Chief Executive prior to any media reports being filed.

# Rangitikei District Council

## Audit and Risk Committee Meeting

Agenda – Monday 12 February 2018 – 2:00 pm



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The quorum for the Audit and Risk Committee is 3.

Council's Standing Orders (adopted 3 November 2016) 10.2 provide: The quorum for Council committees and sub-committees is as for Council, i.e. half the number of members if the number of members (including vacancies) is even or a majority if the number of members is odd.

## **1 Welcome**

## **2 Council prayer**

## **3 Apologies**

## **4 Members' conflict of interest**

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of items on this agenda.

## **5 Confirmation of order of business**

That, taking into account the explanation provided why the item is not on the meeting agenda and why the discussion of the item cannot be delayed until a subsequent meeting, ..... be dealt with as a late item at this meeting.

## **6 Confirmation of minutes**

The Minutes of the Audit/Risk Committee meeting held on 11 December 2017 are attached.

File ref: 3-CT-17-2

### **Recommendation:**

That the Minutes of the Audit/Risk Committee meeting held on 11 December 2017 be taken as read and verified as an accurate and correct record of the meeting.

## **7 Chair's report**

A report will be provided at the meeting.

### **Recommendation:**

That the Chair's report to the Audit/Risk Committee meeting held on 12 February 2018 be received.

## **8 Work Programme Matrix – Progress update**

The work programme matrix (outlining progress to 31 January 2018) is attached

File ref: 3-CT-17-5

### **Recommendation:**

That the Audit/Risk Committee's work programme matrix (outlining progress to 31 January 2018) report be received.

## **9 Internal Audit programme – status report**

A report is attached. Ms Driescher will provide further verbal updates.

File ref: 3-CT-17-1

### **Recommendation:**

That the report 'Internal Audit programme – status report' to the Audit/Risk Committee meeting on 12 February 2018 be received.

## **10 Committee review process**

The Chair will comment on the review forms received from members.

## **11 Understanding Council's risk appetite**

A report will be tabled at the meeting.

File ref: 3-PY-1-15

### **Recommendation:**

That the report 'Understanding Council's risk appetite' be received.

## **12 Developing the 2018-28 Long Term Plan**

The draft of the Consultation Document is currently being reviewed by the Council's auditors. The work plan envisages the Committee forming a view whether risks and uncertainties have been adequately addressed.

Further consideration would be given to areas of risk or uncertainties which the Committee identified as needing clarification before the Consultation Document is adopted for formal consultation.

## **13 Proposed new community/civic facilities – update on project management, February 2018**

A memorandum is attached.

File: 5-EX-4

### **Recommendation**

That the memorandum 'Proposed new community/civic facilities – update on project management, February 2018' be received.

## **14 Action plan to address items in the revised risk management framework where the risk is not accepted**

The schedule of proposed actions is attached.

File ref: 5-PO-1-3

### **Recommendation:**

That the 'action plan' to address items in the revised risk management framework where the risk is not accepted be received.

## **15 Insurance Renewal Report and Insurance Manual**

Attached in the January 2018 report from Aon on renewing the Council's insurances, including detail on MW LASS councils as a group.

File: 5-FM-6-4

### **Recommendation:**

That the report 'Rangitikei District Council Renewal Report 2017 - MW LASS' to the Audit Risk Committee on 12 February be received.

## **16 Late items**

## **17 Future items for the agenda**

## **18 Next meeting**

April 2018 – to be determined

11 June 2018, 2.00 pm

## **19 Meeting closed**

# Attachment 1



# Rangitikei District Council

## Audit and Risk Committee Meeting

Minutes – Monday 11 December 2017 – 2.00 pm

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The quorum for the Audit and Risk Committee is 3.

Council's Standing Orders (adopted 3 November 2016) 10.2 provide: The quorum for Council committees and sub-committees is as for Council, i.e. half the number of members if the number of members (including vacancies) is even or a majority if the number of members is odd.

**Present:** Mr Craig O'Connell (Chair)  
His Worship the Mayor, Andy Watson  
Cr Nigel Belsham  
Cr Dean McManaway

**In attendance:** Mr Ross McNeil, Chief Executive  
Ms Debbie Perera, Audit Director  
Ms Luele Driescher, Internal Auditor  
Mr Michael Hodder, Community & Regulatory Services Group Manager  
Mr George McIrvine, Finance & Business Support Group Manager  
Mr Hamish Waugh, Infrastructure Group Manager  
Ms Christin Ritchie, Governance Administrator

**Tabled Documents:** Item 13: Audit arrangements letter and engagement plan for the 2018-28  
Long Term Plan (including self-assessment process)

Unconfirmed



## 1 Welcome

The meeting opened at 2.04pm. The Chair welcomed everyone to the meeting.

## 2 Council prayer

The Chair read the Council prayer.

## 3 Apologies

There were no apologies.

## 4 Members' conflict of interest

Members were reminded of their obligation to declare any conflicts of interest they might have in respect of items on this agenda.

## 5 Confirmation of order of business

There was no change to the Order of Business and no late items had been requested. The tabled information related to agenda items.

## 6 Confirmation of minutes

<b>Resolved minute number</b>	<b>17/ARK/024</b>	<b>File Ref</b>	<b>3-CT-17-2</b>
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That the Minutes of the Audit/Risk Committee meeting held on 18 September 2017 be taken as read and verified as an accurate and correct record of the meeting.

His Worship the Mayor / Cr Belsham. Carried

## 7 Chair's report

No report was provided.

## 8 Local Government Excellence Programme outcome

*\*Ms Perera arrived at 2.13 pm*

The Chief Executive provided a verbal update to the meeting, a few key points mentioned were:

- The Council received an overall rating of BB, 'performing well' in one category and 'competent' in the other three categories.
- There were 16 areas of improvement identified. Six can be implemented easily; nine are likely to require some external assistance.
- The one area in which we currently do not have enough resource is online and digital forms of communication and engagement.
- It was noted that elected members need to be more engaged in strategic risk issues overall, and not rely solely on the Audit/Risk Committee.
- A workshop will be held with Council to create a formal action plan, to be implemented early in the New Year.

## 9 Committee review process

The Chair advised he will resend out evaluation forms on 1 February 2018 to Committee members, in order for them to complete with more up to date comments.

## 10 Internal Audit programme – progress update (includes charter)

Ms Driescher spoke briefly about the Internal Audit Charter. The Committee commended this document.

<b>Resolved minute number</b>	<b>17/ARK/025</b>	<b>File Ref</b>	<b>3-CT-17-1</b>
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That the report 'Final Internal Audit Charter Rangitikei 2017' be received.

Cr D McManaway / Cr N Belsham. Carried

## 11 LED Procurement

Ms Dreischer spoke to her report:

An investigation had been requested by the Chief Executive on the procurement process for LED Streetlight supply and installation contract. It was not part of the Internal Audit programme.

This investigation resulted in a number of recommendations for the Council –

- considering whether the threshold set remains appropriate, and to include risk as part of the threshold decision process;
- basing procurement estimates on the maximum total estimated value of procurement;
- including all relevant details in the request for quotation, to ensure accuracy of quoting and avoid suppliers claiming variations post contract;
- revising amount of detail provided to Council to ensure informed decision-making;
- follow-up on health and safety compliance issues; and
- ensuring terms and conditions are attached to all purchase orders,

The Committee members were in support of the recommendations.

**Resolved minute number**                      **17/ARK/026**                      **File Ref**                      3-CT-17-1

That the report 'Final LED Procurement Report 22 Nov 17' be received.

Cr McManaway / Cr Belsham. Carried

## **12 Proposed revision to risk management framework – further consideration**

Mr Hodder spoke to his report, highlighting the suggested altered assessments for 1.10 (aligning with the Independent Assessment Board's view) and 2.3 (noted in the Audit management report).

The purpose is to address risks which were not accepted (particularly those considered to be increasing). However, the framework is very detailed, and it was suggested that a dashboard showing assessments and trends, with concrete actions, could be more appropriate to give to Council. The Committee agreed that it was important that risk was clearly understood in major contracts.

Ms Dreischer offered to assist with the high-level presentation of the risk management framework.

**Resolved minute number**                      **17/ARK/027**                      **File Ref**                      5-PO-1

1. That the memorandum 'Revised risk framework' be received.

Cr Belsham / Cr McManaway. Carried

2. That the Chief Executive prepares a draft action plan to address items in the revised risk framework where the risk is not accepted, for consideration at the Committee's next meeting, in February 2018

Cr Belsham / Cr McManaway. Carried

## **13 Audit arrangements letter and engagement plan for the 2018-28 Long Term Plan**

Ms Perera spoke to the letter (and self-assessment process), outlining:

- Two opinions will be provided:
  - for the Consultation Document ('the CD') – both its effectiveness for the consultation purpose and the rigour of the underlying information (which must be adopted first); and
  - for the Long Term Plan – both its accountability back to the community and the rigour of the underlying information.

- A detailed list of requirements is included, together with information about the fee.
- The self-assessment process will assist the auditors in their assessment of risk. As last time, it could be completed at a workshop with Ms Perera rather than simply compiling a written response.

*\* Mr Waugh and Mr McNeil left the meeting at 3.08 pm*

**Resolved minute number**                      **17/ARK/028**                      **File Ref**

That the Audit arrangements letter and engagement plan for the 2018-28 Long Term Plan be received.

His Worship the Mayor / Cr Belsham. Carried

*\* Mr McNeil returned at 3.11 pm*

*\* Mr Waugh returned at 3.26 pm*

## **14 Final Audit management report on the 2016/17 audit**

The responses were in draft form for the Committee's consideration. Audit New Zealand would now consider them and review, if necessary, with management before finalising the report.

The report showed there were no areas which needed to be addressed urgently: the financial statements and statement of service performance fairly reflected the Council's activity for the year and its financial position at year end.

**Resolved minute number**                      **17/ARK/029**                      **File Ref**                      5-EX-2-4

That the Final Audit management report on the 2016/17 audit (and proposed management responses) be received.

Cr McManaway / Cr Belsham. Carried

## **15 Outcome of the New Zealand Transport Agency's investment audit, October 2017**

Mr Waugh noted that the New Zealand Transport Agency considered the network was in good condition and well managed. The increased focus on drainage was timely, and helped prevent more expensive pavement repairs. Crash rates in the district are comparable with other networks. Asset data bases are largely complete, timely and accurate. Council staff are knowledgeable and have fostered good working relationships with contractors.

A few areas for improvements had been noted – increasing network surface life and delivering additional safety benefits in regard to crash rates.

**Resolved minute number**                      **17/ARK/030**                      **File Ref**                      **6-RT-2-1**

That the New Zealand Transport Agency Investment Audit Report October 2017 be received.

His Worship the Mayor / Cr Belsham. Carried

## **16 Report of the Havelock North Drinking Water Inquiry: Stage 2**

Mr McNeill spoke to his presentation, highlighting the 'urgent/early recommendations' from the Inquiry and 'further recommendations'. The report is explicit in its view that there should be no untreated drinking water supply.

The Rangitikei District is in good shape generally. There may be a few processes we need to catch up on, but we will not have to start from scratch. We will look to implement a large scale single treatment plan for potable water.

## **17 Late items**

Nil.

## **18 Future items for the agenda**

Committee review process (updated)

Work programme matrix - progress

Understanding Council's risk appetite

## **19 Next meeting**

12 February 2018, 2.00 pm

## **20 Meeting closed**

Meeting closed at 3.52pm.

**Confirmed/Chair:** \_\_\_\_\_

Date:

# Attachment 2

Topic	What	Why	Who/How	Priority	Committee decision/action	Progress to 31 January 2018
Annual Audit review	Interim management report	Ensure Council operating procedures and policies are appropriate and managed	Council management and Audit Director	Very high	Review Audit comment and Council response; recommendation to Council	Timing did not allow the Committee to consider the interim report but the Audit Manager provided a briefing on progress with the 2016/17 audit at the Committee's September 2017 meeting prior to the adoption of the Annual Report.
	Final management report	Ensure Council operating procedures and policies are appropriate and managed	Council management and Audit Director	High	Review Audit comment and Council response; recommendation to Council	Final report from 2016/17 Audit considered at Committee's December 2017 meeting.
Other reviews of Council operations		Ensure recommendations are well-founded and there is a robust plan of action	Chief Executive	Medium	As required. Consideration of interest-free loan to Edale has been flagged once relevant information is received.	Review of LED streetlight supply and installation contract by Internal Auditor discussed at Committee's December 2017 meeting, and recommendations supported. Consideration of loan to Edale no longer required with the negotiations with the Masonic Village Trust. NZTA investment audit considered at Committee's December 2017 meeting.
Natural disaster events	Annual insurance reviews	Ensure accurate, appropriate and cost-effective cover for all built assets	GM Finance & Business Support	Medium	Review periodic updates from GM (Finance and Business Support) Committee has already reviewed whether to continue membership of LAPP.	Considered as part of additional cover being secured through MW LASS.
	Business continuity	Ensure Council can maintain business operations	GM Finance & Business Support	High	Review periodic updates from GM (Finance and Business Support)	Not yet considered
	Disaster recovery	Ensure robust processes aligned with MCDM requirements	Chief Executive	Very high	Review six-monthly updates on development of internal capability and external liaison, periodic MCDM reviews, and recommend any changes or enhancements	Not yet considered. First quarterly update on CDEM Improvement plan provided to Council's meeting on 25 January 2018.
	Areas of unstable ground	Ensure awareness where land and buildings may be at risk		Low	to be determined	
Community facilities	Bulls community centre	Ensure robust project management for construction and fit-out	Chief Executive	High	Review and comment on project plan and exception reporting to each meeting	Separate report to Committee's February 2018 meeting
	Marton civic centre	a) Ensure cost-effective option for new Civic Centre design	Chief Executive	High	Review and comment on project plan and exception reporting to each meeting	Separate report to Committee's February 2018 meeting
		b) Ensure robust project management for construction and fit-out	Chief Executive	High	Review project plan and exception reporting to each meeting	Not yet started.
	Taihape community facilities (on Memorial Park) and community centre (town hall site)	a) Ensure Memorial Park facility has external funding and community support		High	Review and comment on project plan and exception reporting to each meeting	Separate report to Committee's February 2018 meeting
		b) Ensure cost-effective and community support for new Civic Centre design		High	Review project plan and exception reporting to each meeting	Not yet started.
Risk management framework	Alignment with national/sector approach	Ensure framework reflects sector good practice	GM Community & Regulatory Services		Understand and give effect to Local Government Risk Agency expectations in the framework and follow-up actions	LGRA yet to be established.
	Biennial reviews	Ensure framework reflects changing risk environment	GM Community & Regulatory Services	Very high	Review proposed changes to framework and recommend to Council	
	Half-year management actions to reduce risk	Ensure identified risks are being reduced	GM Community & Regulatory Services	High	Review adequacy of management action and recommend any changes to actions at August and February meetings	Proposed actions to address risk from December revision of the framework provided to Committee's February 2018 meeting.

Topic	What	Why	Who/How		Committee decision/action	
Ongoing analysis of capital expenditure	Capacity	Ensure that the projected capital work programme is realistic (i.e. affordable and achievable)	GM Finance & Business Support	Very high	Review proposed capital programme at October or December meetings. Recommend changes to Council if warranted.	Not yet considered. At its September 2017 the Committee considered a report on Council's involvement with the Local Government Funding Agency and recommended to Council that it participate in the Agency's scheme as a borrower.
	Consenting requirements and timelines	Ensure that consenting requirements are reflected in capital programme		High	Examine briefing on consenting requirements at October meetings	Works programmes included in the draft Long Term Plan have been timed as to consenting requirements including seeking interim consents for Marton and Ratana wastewater upgrades and allowing for full consideration of options and (at Ratana) fulfilment of funding commitments.
	Carry-overs	Ensure that carry-overs are minimised and validated against external factors.	GM Finance & Business Support and GM Infrastructure	Medium		Not yet considered.
Water supply	Drinking-water standards compliance	Ensure Council's potable water supplies address changes from Havelock North enquiry and government's timetable for implementing them	GM Infrastructure	Very high	Understand government policy setting; review project plan for giving effect to this and exception reporting to each meeting, and recommend Committee's view to Council.	Government's decisions on the Havelock North enquiry's recommendations not yet announced.
	Accurate billing for usage	Ensure that all water usage is paid for and that historical rights are correctly applied	GM Finance & Business Support	Medium	Review project plan and exception reporting to each meeting	Not yet considered.
Alignment with Council strategic framework and key priorities	Progress with key priorities (reported monthly to relevant Council committees)	Ensure that the identified key priorities are implemented or modified to give effect to the strategic direction	Chief Executive	High	Review draft consultation document for 2018-28 LTP at December 2017 meeting and determine whether risks and uncertainties have been adequately addressed.	Discussion at Committee's February 2018 meeting
Information management	Progress in implementing robust, integrated and accessible electronic corporate records systems	Ensure Council meets Public Records Act and LGOIMA requirements	GM Finance & Business Support	Medium	Review periodic updates on work programme and compliance with LGOIMA. There is currently no compliance reporting undertaken by Archives New Zealand	Not yet considered.
Infrastructure Shared Services (with Manawatu District Council)	Performance under revised agreement	Ensure Rangitikei is getting value for money and minimises risk of non-compliance in levels of service or funding of infrastructure	Chief Executive	Medium	Consider half-yearly assessments from Chief Executive and determine whether a recommendation to Council is warranted in terms of perceived risks	Not yet considered. First quarterly update to Council's meeting on 29 March 2018.
Appetite for risk around consents	Policy and procedure for exercise of discretion and enforcement of Code requirements	Ensure Council and local building sector are clear on balance between compliance and discretion	Chief Executive	Medium	Consider periodic updates from Chief Executive and determine whether a recommendation to Council is warranted in terms of perceived risks	Further consideration of issue on Committee's February 2018 meeting agenda.
Infrastructure inspection regimes	Condition reporting reflects age, maintenance and incidents	Ensure that asset condition reporting is comprehensive, is reviewed against inspections, and is reflected in capital/renewal programmes	GM Infrastructure	High	Review draft infrastructure strategy at October 2017 meeting and make recommendation to Council on adequacy of risk assessment	Draft strategy (combined infrastructure and financial) as provided to Audit included in Committee's February 2018 meeting agenda.



# Attachment 3



**Rangitikei**  
UNspoily...

**INTERNAL AUDIT**  
STATUS REPORT 2017-2018  
FEBRUARY 2018



**MWLASS**  
breaking boundaries, building opportunities

# OVERVIEW OF INTERNAL AUDIT ACTIVITY

## FY18IA Plan

Delivery of the internal audit plan has continued during the past quarter. Overall delivery is on schedule. We are confident that we will be able to deliver the plan as approved. One review has been completed since the last ARC meeting but is awaiting management comments. Details on the status of the Plan are included on page 3..

## Risk

Internal Audit will meet with the “Risk Manager” to discuss risk monitoring and reporting. IA aims to consider work performed in this space to facilitate the effective development of future IA plans.

## Quality Control

Internal Audit continues to meet regularly with the Group Manager – Finance and Business Support and the Chief Executive to ensure satisfaction with the service delivery.

# STATUS OF FY18 INTERNAL AUDIT PLAN

Engagement	Timing	Budgeted Hours	Status	Report Rating
Special Request – LED Street lighting Procurement	Q2	60	<b>COMPLETED</b> Submitted to ARC Dec 17	<b>Cause for concern</b>
Cash Handling	Q2	45	<b>REVIEW COMPLETED</b> DEC '17 awaiting management comments	<b>Draft rating:</b> <i>Cause for concern</i>
Contract Management and Procurement	Q3	60	<b>IN PROGRESS</b>	
NZTA Claims	Q4	45	<b>SCHEDULED</b> – May 18	

# EXTREME/HIGH RISK FOLLOW UP ITEMS

Report	Circulation Date	Key Findings	Implementation Status of Corrective Action			
			Management Response	Target Date	Corrective action confirmed by Management	Corrective action confirmed by MWLASS
LED Street Light Procurement	November 2017	<p>Our high level review of the procurement process of the LED Supply Contract identified no exceptions in relation to the process followed. We have however identified improvement opportunities in respect of the RDC Procurement Policy and documentation provided to the Infrastructure Committee which is relevant to both the supply and installation contracts.</p> <p>Our review of the procurement process of the LED Installation Contract identified a number of issues of concern relating to the application of the process. We have also identified certain improvement opportunities to assist management in enhancing the procurement process as whole.</p>	<p>Management agreed to improve systems of internal control by:</p> <ul style="list-style-type: none"> <li>• Reviewing the Procurement Policy to assess the appropriateness of threshold limits set.</li> <li>• Reviewing the Procurement Value Estimation Methodology</li> <li>• Implementing a standard template for procurements utilising the RFQ process to ensure pertinent details are included.</li> <li>• Ensuring the adoption of a template approach for procurements utilising the RFQ process and ensuring appropriate sign off on all relevant health and safety requirements.</li> <li>• Ensuring that the Contract Award process includes the distribution and agreement of Council Terms of Trade with all suppliers.</li> </ul>	June '18	No	No

# Attachment 4



# Memorandum

To: Audit/Risk Committee

From: Ross McNeil, Chief Executive

Date: 7 February 2018

Subject: **Proposed new community/civic facilities – update on project management, February 2018**

File: 5-EX-4

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The Audit/Risk Committee's adopted workplan for the 2016-19 triennium envisages an update to each meeting on the project plans for the proposed new community/civic facilities in Bulls, Marton and Taihape, including exception reporting.

## **Bulls**

A detailed project plan for the construction and fit-out of the new Centre on Criterion Street has yet to be developed. Council will be asked, at its meeting on 1 March 2018, to approve calling for tenders. By this time, detailed design should be completed. New Zealand Consulting Engineers has been engaged to work with Architecture Workshop to provide structural engineering design for the new facility.

Construction would start from mid 2018 subject to the funding targets being achieved by that time.

## **Marton**

Options (and likely costs) to develop the Broadway/High Street site (Cobblers/Davenport/Abraham & Williams buildings) were obtained from Opus Consulting in December 2016. These were reviewed by Colspec. Before considering these options further, an estimate of the costs to strengthen and renovate the present Administration building (at 46 High Street) and Library (31 High Street) to a level comparable to the proposed Broadway/High Street development was commissioned from Opus. This analysis (for a preferred site) is currently being reviewed.

Initial design has been undertaken on the Broadway/High Street site. A detailed project plan for the construction and fit-out of the new Centre is some time away.

## **Taihape**

A detailed analysis of users of Taihape Memorial Park was undertaken last year by two of the Taihape Ward Councillors, and presented to Council at its meeting on 14 December 2017. This data provided good guidance where new amenities are most needed. On this basis, Council has decided to build a new changing, shower and toilet facility in the area adjacent to the eastern area of the netball courts and to strengthen the grandstand (with the outmoded changing facilities

removed and the area used for storing parks equipment). This decision has been included in the Consultation Document for the 2018-28 Long Term Plan.

Previous consultations showed strong support for a new amenity block modelled closely on one built at Playford Park, Levin (the Taitoko Pavilion) but had been inconclusive on where it should be located and what should be done with the historic grandstand.

Council has committed \$600,000 to the project. Further discussions will be held with the Otaihape Club to determine their continued interest in supporting the development of an upper floor to provide additional amenities. The estimated cost to strengthen the grandstand is \$350,000.

Further consideration of options to develop the Taihape Town Hall site is unlikely to proceed before 2018/19.

### **Recommendation**

That the memorandum 'Proposed new community/civic facilities – update on project management, February 2018' be received.

Ross McNeil  
Chief Executive



# Attachment 5

## Actions from risk management framework (revised December 2017)

These actions address those situations where Council’s Audit/Risk Committee, having considered the present systems and processes, has not accepted the assessed risk. The level of risk (e.g. ‘D5’) and assessment of effectiveness of controls (e.g. ‘3’) are those shown in the risk management framework and explained in the risk matrix (attached).

The first half-yearly evaluation will be done in June 2018 and provided to the next available Committee meeting after that.

		What will be done?	When?
<b>Governance</b>			
1.6	Pursuing inappropriate business strategies  Dec 2017: D5 2 June 2018:	Development of a policy framework to define when a business case approach for projects will be adopted. <sup>1</sup>	March 2018
1.7	Needs of stakeholders are not met  Dec 2017: C2 3 June 2018:	Clear use of survey results in terms of changes to services and facilities and reporting these back to stakeholders	June 2018 Summary of key issues raised in annual residents’ survey
1.10	Ineffective Council leadership  Dec 2017: D4 3 June 2018:	Development of agreed guidelines with Council on protocols to achieve a more effective governance-management balance with greater focus on understanding and addressing strategic risks	March 2018
<b>Business risks</b>			
2.1	Customer service eroded  Dec 2017: C3 4 June 2018:	Monthly analysis for management of issues in service request.  Customer service philosophy to be made explicit across the organisation  Greater focus on getting feedback on specific transactions and analysing this	June 2018
2.2	Exposure to Council following poor tender process  Dec 2017: D4 4 June 2018:	Review the procurement policy, potentially including:  a) Mandatory use of local Tenderlink for all purchase with a total estimated cost exceeding \$50,000.	June 2018

<sup>1</sup> Not necessarily a dollar sum. Note that the business case is an input into a decision - **not** the decision

		<p>b) Review by Management Team of recommendations for tenders under \$250,000 prior to decision by Chief Executive.</p> <p>c) Full disclosure of tender processes in public excluded sessions of Council, prior to decision, for tenders over \$250,000.</p>	
2.3	<p>Exposure to Council following poor contract management processes</p> <p>Dec 2017: D4 <b>2</b> June 2018:</p>	<p>Develop and adopt policy for contract management</p> <p>Monthly reporting of performance of contracts with annual value exceeding \$250,000 to the relevant Council Committee.</p>	June 2018
2.6	<p>Inability to recover/continue business following disaster</p> <p>Dec 2017: D4 <b>1</b> June 2018:</p>	<p>Develop a business continuity plan (to include consideration of both Taihape and Manawatu as alternative admin centres)</p> <p>Implement Civil Defence Improvement Plan (prepared in 2017)</p>	<p>March 2018</p> <p>September 2018</p>
2.7	<p>Relationship with Maori deteriorate</p> <p>Dec 2017: D4 <b>3</b> June 2018:</p>	<p>Advance the Maori responsiveness framework</p> <p>Respond (as far as practicable) to Te Roopu Ahi Kaa's preferences for the proposed Maori/Iwi Liaison Officer role</p>	<p>September 2018</p> <p>A draft has been included in the Order Paper for Te Roopu Ahi Kaa's February 2018 meeting.</p> <p>Ongoing</p> <p>An outline of the proposed role was provided to Te Roopu Ahi Kaa's December 2017 meeting, for further discussion in April. Also provide to Ratana Community Board.</p>
2.8	<p>Resource base does not meet community needs</p> <p>Dec 2017: E2 <b>3</b> June 2018:</p>	<p>Continued lobbying (to central government and LGNZ) for ongoing, adequate financial support for roading, utilities and community infrastructure.</p>	Ongoing
2.9	<p>Business objectives not met</p> <p>Dec 2017: D3 <b>2</b> June 2018:</p>	<p>Monthly monitoring by Management Team of progress with the capital programme.</p>	Ongoing

2.11	Shared Services falters and/or leads to higher costs for equivalent services  Dec 2017: D4 3 June 2018:	Negotiate and monitor a more rigorous agreement with Manawatu for the delivery of infrastructure services to Rangitikei.	Completed  Quarterly reviews (first at Finance/Performance Committee, 29 March 2018)
2.12	Exposure to Council following non-compliance in consent processes.  Dec 2017: D4 3 June 2018:	Review processes for monitoring drinking-water standard compliance and ensure full adherence to these.	<i>To be determined following government decisions on Havelock North Inquiry.<sup>2</sup></i>
<b>Built assets</b>			
4.1b	Inability to provide services to stakeholders following damage to assets – by earthquakes  Dec 2017: D8 0 June 2018:	Get clarity on meeting IL4 requirements for Emergency Operations Centres – and requirements for places of public assembly	June 2018 GHD commissioned, January 2018.
<b>Human resources</b>			
5.1	Breach of health and safety requirements  Dec 2017: D4 4 June 2018:	Give effect to changes recommended as part of the ACC tertiary accreditation process and the audit undertaken by MW LASS	Ongoing SafePlus self-assessment tool will be available mid-2018.
5.3	Poor employee performance  Dec 2017: C3 4 June 2018:	Ensure Continuous Improvement process helps employees understand impact of individual performance on others and the organisation as a whole – i.e. personal; accountability for actions and their consequences.	
5.6	Loss of corporate or tacit knowledge  Dec 2017: D3 2 June 2018:	Implement Promapp which provides comprehensive documentation about 'how' things are done  Use MW LASS to develop and apply shared expertise in specialised areas	Ongoing  Ongoing

<sup>2</sup> Use monthly compliance reporting as basis of discussion with Mid central health Drinking-water assessor

<b>Information systems</b>			
6.1	Poor information management  Dec 2017: D4 <b>2</b> June 2018:	Ensure full documentation in SharePoint of contracts and projects undertaken by Infrastructure Shared Services. <sup>3</sup>  Assess feasibility of replacing NCS/MagiQ to gain greater functionality and integration with SharePoint.	Ongoing
<b>Financial management</b>			
7.3	Financial exposure in the event of a loss or disaster  Dec 2017: D7 <b>3</b> June 2018:	Adopt strategies to bridge gap between insurance (underground assets and roading)	Ongoing
<b>Natural resources and hazards</b>			
8.3	Insufficient regard to risks posed by earthquake-prone buildings  Dec 2017: C3 <b>3</b> June 2018:	Undertake mandatory assessment of all earthquake-prone buildings (including Council's) during 2018.  Ensure staff and public awareness of risks posed by Council's own buildings	December 2018  Ongoing

5 February 2018

<sup>3</sup> This is part of the agreement negotiated with Manawatu District Council – 2.11. A related issue is access to the roading RAMM database.

**Risk matrix**

		Likelihood				
		Almost certain	Likely	Possible	Unlikely	Rare
Consequences or Impact	Catastrophic	Extreme	Extreme	Extreme	High	High
	Major	Extreme	Extreme	High	High	Moderate
	Moderate	Extreme	Extreme	High	Moderate	Low
	Minor	Extreme	High	Moderate	Low	Low
	Insignificant	High	High	Moderate	Low	Low

See table 2 of the Risk management policy for meaning of impacts in terms of human life, service levels. The environment, compliance and corporate governance, financial performance and community/political

		Likelihood				
		Almost certain	Likely	Possible	Unlikely	Rare
Consequences or Impact	Catastrophic	E8 (9)	E7 (8)	E5 (7)	D8 (6)	D6 (5)
	Major	E6 (8)	E4 (7)	D7 (6)	D5 (5)	C4 (4)
	Moderate	E3 (7)	E2 (6)	D4 (5)	C3 (4)	B4 (3)
	Minor	E1 (6)	D3 (5)	C2 (4)	B3 (3)	B2 (2)
	Insignificant	D2 (5)	D1 (4)	C1 (3)	B1 (2)	A (1)

**Control effectiveness ratings**

Rating	Effectiveness	Description	Quantification
0	Not effective	This control does not address risk	0%
1	Slightly effective	The control is not reliable as it is not well-designed, documented and/or communicated	1-20% effective
2	Somewhat effective	Control may be reliable but not very effective as control design can be improved	21-40% effective
3	Reasonably effective	Control is reliable but not effective as documentation and/or communication could be improved.	41-60% effective
4	Mostly effective	Control is mostly reliable and effective. Documentation exists but can be better communicated.	61-80% effective
5	Very effective	Control is reliable and effective. Fully documented process and well communicated.	81-100% effective

Source: Lismore City Council

# Attachment 6



# Rangitikei District Council

MW LASS Renewal Report 2017

1/11/17



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## **Confidentiality Notice**

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If you have a concern about a service that Aon have provided, you should contact your Aon representative or your local Aon office.

If your complaint is not satisfactorily resolved, you should contact Aon's National Complaints Manager on (09) 362 9000 or put your complaint in writing to:

National Complaints Manager  
Aon New Zealand  
PO Box 1184  
Shortland Street  
Auckland 1140

If you are not satisfied with the outcome determined by the National Complaints Manager, you may contact Financial Services Complaints Limited by calling 0800 347 257.

## Aon Client Promise

The Aon Client Promise is the way Aon consistently articulates the full scope of value and impact we deliver to clients. The Aon Client Promise outlines the 10 benefits clients can expect when partnering with Aon and how we are uniquely positioned to provide best in class services and solutions in each.

Our partnership with Rangitikei District Council will be underpinned by our service model, the Aon Client Promise – designed following feedback from clients on what is important to them.

### A FOCUS ON OPTIMISING YOUR TOTAL COST OF RISK

Understanding and quantifying your risks is a vital step toward managing them effectively. Aon’s distinctive approach to programme design, unmatched broking strength, customized Aon Total Cost of Risk Assessment and the suite of Aon eSolutions products provide clients with the most comprehensive view of their organization’s total cost of risk so they can make the best decisions possible.

### A PROGRAMME DESIGNED ENTIRELY AROUND YOUR NEEDS

Great advice starts with a deep understanding of our clients’ business challenges and opportunities. The Aon Client Promise methodology ensures your business’ unique priorities and needs are addressed with flexible solutions that deliver value to your business.

### A DEDICATED TEAM AND A WORLD OF RESOURCES

Providing you with a deep team of experienced, talented professionals who know you and your business at all levels ensures you get the right solutions from our unsurpassed global capabilities. Aon invests in training and developing our 26,000 team members around the client-centric values of the Aon Leadership Model.

### LOCAL ACCESS TO THE BEST MARKETS IN THE WORLD

The right market for your risk may be local to you, or a global player. Aon’s Broking Centres of Excellence, the largest-owned network in the world, and in-depth market security expertise lets you access the right markets, anywhere in the world, through a local point of contact. In addition, Aon’s proprietary services, like Aon Alerts and the Aon Situation Room, provide you with access to rating information and insightful commentary on significant market events directly online as they unfold.

### CONSTANT INVESTMENT IN NEW IDEAS AND SOLUTIONS

Our investment in innovation is based on the needs and issues of our clients. By listening to clients, we create new tools and services that ensure our clients see new risks coming and don’t face them with old solutions. The Aon Centre of Innovation and Analytics in Dublin, Ireland is the industry’s only facility 100 percent focused on risk research, development and administration, where our teams work to solve the most complex risk-related issues.

### Value to Rangitikei District Council

- Greater transparency of the services provided
- Measurable outputs



## THE STRENGTH OF THE WORLD'S LEADING BROKER ON YOUR SIDE

Whatever your size, as an Aon Risk Services client you have the advantage of support from the world's leading broker. We place more premium with carriers and secure more claims payments from them than any other broker. We measure carrier performance through the Aon Carrier Performance Survey, and if issues arise, we have a defined process that helps ensure quick resolution. Going beyond insurance, our Aon Global Risk Consulting colleagues bring practical solutions to reduce, transfer or finance risks that remain.

## POWERFUL BENCHMARKING

Differentiating your programme and delivering the right terms and conditions for your needs requires a fact-based understanding of your current risks relative to your peers. We use the most comprehensive data in the industry, including our proprietary Aon Global Risk Insight Platform (Aon GRIP) that captures thousands of transactions daily across the Aon network to benchmark your risks.

## INDUSTRY-LEADING SERVICE WHEREVER YOU NEED IT

Industry-leading service means more than just efficiently executing your risk programme. We're honoured that our clients, through third-party surveys like Business Insurance and Euromoney, regularly vote us best in class. With more offices worldwide than any other broker (more than 500 offices in more than 120 countries), and the Aon Client Promise methodology as our compass, we deliver a consistently high standard of service wherever you are.

## YOUR FEEDBACK DRIVES OUR PERFORMANCE

What you think of our services is the most important measure of our success. We combine systematic client surveys using the Aon NPS programme with personal conversations to actively seek your feedback twice each year. Your input is key to how we manage, develop and reward our teams.

## OPEN AND HONEST DIALOGUE ABOUT THE VALUE WE ADD TO YOUR BUSINESS

Delivering distinctive value to you is our core focus. We believe the value we create for you is the measure of our worth. The Aon Client Promise plan, including your customized Aon Total Cost of Risk Assessment, provides you with the most transparent view of the services you receive for the price you pay.

**The Aon Client Promise** is about listening and responding – to exceed client expectations and provide customised risk advice and brokerage services

# Introduction

Firstly, we would like to thank all of the council staff that were involved in collating the required renewal information.

This report will detail the outcome of the renewal process for the 2017-2018 period. We will provide specific commentary around each of the core policies currently purchased and also the current insurance market in New Zealand.

## Insurance Market Overview – November 2017:

The following details highlight the current status of the insurance market, including natural disaster insurance, changes to Fire Service Levy charges and noting the specific impact on the MWLASS Group for the 2017 insurance renewal.

### NZ Insurance Market – Property

**Overall** – Before the Kaikoura earthquake, Insurers were closely reviewing all of their personal and business insurance premiums and were looking to pass on 5 -10% premium increases based on overall claims losses incurred during 2016.

**Kaikoura Earthquake** - The Kaikoura earthquake of November 2016 has become the catalyst for property insurance premiums increasing for all clients, as Insurers move from what was a relatively benign claims event period, which provided a competitive soft market, to a hard market that demands technical premium rating.

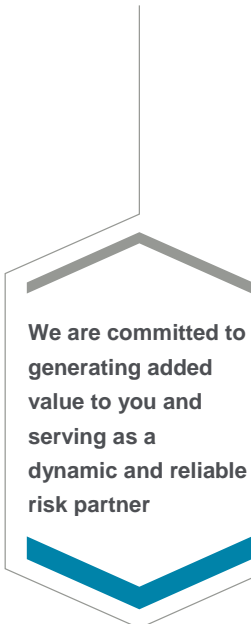
Claims reported for the November 2016 earthquake are estimated at US\$5billion and that is likely to increase as detailed engineers reports and investigations are completed.

**Current position** - It has now been over 12 months since the earthquake and Insurers have calculated their actual losses using the Premiums vs. Claims equation, followed by factoring in the necessary provisions for increased claims costs that invariably occur as time progresses. Insurers are now looking to increase premiums based on “technical rates” that will increase the premium following 3 years of savings.

The reliance on insurance has increased and the erosion of earthquake (natural disaster) insurance capacity in NZ has resulted in a significantly increased reinsurance cost to insurers, which are being passed on to clients. Insurers are required to maintain acceptable solvency margins in accordance with the Reserve Bank of NZ requirements.

The media continues to report on the seismic issues, commenting on a low percentage of buildings meeting current building standards and referring to scientific reports about continued activity. As international Reinsurers and Insurers read these articles with interest and dismay in some cases, they are either reducing their exposure in NZ, imposing positive rating or withdrawing altogether from the market.

Due to claims, the largest premium increases will focus on the central region of NZ, where an embargo for new insurance and increases in sums insured still continues for some Insurers. As a result, Insurers risk appetite is dependent on the following:



We are committed to generating added value to you and serving as a dynamic and reliable risk partner

1. Pre-earthquake pricing (if the account was below market rating before November 2016 earthquake)
2. Profile of the whole portfolio, percentage of building code etc.
3. Structures and location, reclaimed land etc.
4. Earthquake prone buildings
5. Earthquake claims loss history

**Global Events** – The recent Natural Disaster event in Mexico and the US are starting to impact the Global Markets. Whilst the Insured amounts of these losses, approx.US\$50 billion, are not in relative terms large enough to shock the global markets, we are seeing capital moved from Catastrophe type covers into other market segments. This will ultimately affect global pricing for Catastrophe covers.

### Natural Disaster Insurance

**Deductible** – The Natural Disaster deductible that applies to both the Material Damage and Business Interruption insurance policies will remain at the percentage of the site sum insured on the Material Damage policy. This will vary from 1% to 5% depending in the assets location and age.

Previously the total amount calculated by applying the relevant percentage applicable was capped, at a maximum dollar figure. This capping has now been removed.

### Fire Service Levy increase confirmed from 1 July 2017

Coupled with the earthquake effect, the NZ Government has confirmed the Fire Service Levy has increased by 40%. This increase is a result of a decision to amalgamate urban and rural fire services and shift virtually all of the resulting costs onto insurance as a method of collection.

The Cabinet approved the new Levy rates on 30 March 2017 and agreed that regulations be made to set Levy rates that commenced on 1 July 2017. These will apply to all new insurance and insurance renewed from that date, and are:

- for Property, at 10.6 cents (previously 7.6 cents) per \$100 insured based on sums insured or declared indemnity values for business and commercial and on insured amounts capped at \$100,000 for residential buildings and \$20,000 for residential contents;
- for Motor vehicles and trailers (less than 3.5 tonnes), at \$8.45 each (previously \$6.08) or 10.6 cents per \$100 insured if over 3.5 tonnes.

The Levy means an increased cost added to business (and personal) insurance where property and motor vehicles are insured.

### Public Liability and Professional Indemnity

There is an increasing trend in claims being submitted against Councils for Building Defects type issues and an increased recognition that there is a New Zealand wide issue of counterfeit / sub-standard building materials being used, which is expected to lead to an increase in Building Defect claims.

There have been a number of incidents where properties which have been identified as “Weathertightness” buildings, and as such excluded under insurance, have had supplementary claims made for other non “weathertightness” issues.

The insurance markets are expressing concerns that these losses could be significant and are a New Zealand wide issue. Aon will continue to monitor these types of losses and provide feedback to Councils as this emerging risk develops.

### Other Lines

All other lines of Insurers have remained competitive with prices holding based on each individual entities claim history.

# Renewal Outcomes

For various reasons this year's renewal process has proved to be more drawn out than would have been expected. We understand this has been a consequence of other activities taking place in councils with LTP and Audit work having to be completed in a similar timeframe.

We are going to review the whole renewal process with yourselves prior to next year to see if this can be done in a different way to streamline the process.

It should be noted that some councils, at the time of writing this report, had yet to provide us with the full renewal documentation required. Therefore the premium comparisons given later in this report may not be the final figures once updated schedules have been provided.

## Material Damage and Business Interruption

In line with comments made in the market overview we have seen rating increases for the 2017 renewal. The underlying increase for the group is ~17% over last year. However there have been changes in the Total Declared Values (TDV) for the group. At the 2016 renewal the TDV was \$823,251,581. This year the TDV is \$965,564,387.

Those councils who have had the largest increases in total TDV will see a higher premium increase than 17% but this is due to the changes in declared values

There has also been a slight change in the Natural Disaster deductible. This was previously;

- 2.5% of the site sum insured, for post 1935 properties or 10% for pre 1935 properties, with a maximum amount of \$10,000,000 any one event.

The percentages have remained the same, but the cap of \$10,000,000 any one event has now been removed.

The current Material Damage and Business interruption programme has a combined loss limit of \$150,000,000. We would like to investigate the pricing implications of purchasing an additional layer of cover for \$150M in excess of \$150M giving us a total loss limit of \$300M.

## Commercial Motor Vehicle

As we have discussed previously, motor premiums are largely driven by claims figures. Later in this report we have detailed three years claims history vs. premium vs. fleet size to show the effective rate charged over the last three years.

The current insurers Zurich were no longer able to sustain the rating previously given and looked to increase the premiums significantly over 100% and were not prepared to negotiate on these increases.

With an average loss ratio of just over 90% over the last three years the alternative markets approached were all looking to increase premium rating. The best terms were provided by NZI. The rating increase is approx. 36%. There has also been an increase in the total fleet value declared of \$266,021, which has had an impact on the final premium as well.

We are also discussing Fleet Risk Management options they can provide as a "value add" service. More information will be made available on this post renewal.



## Public Liability and Professional Indemnity (ex Ruapehu DC)

We have had to change the lead insurer on then Liability programme this year. The previous lead Insurer, NZI were indicating that they would be looking at significant changes to the premium rating and excess structure on these covers. Premium increases of 100% plus were being suggested together with similar increases in excess levels.

An area of concern, that has been raised previously, is the potential for increased in claims being made in respect of Building Defects issues. This is an area that Aon will continue to monitor and provide updates on to Council.

The new lead insurer is AIG, who were previously a co-insurer on the programme. Whilst there has been premium increase for these covers we have been able to keep these to a minimum of 20% and the excess applicable to Professional Indemnity claims has increased from \$10,000 to \$25,000

## All other Lines

In terms of the other ancillary covers such as Employers Liability, Statutory Liability, Aviation Risks, the market has been largely static with most premiums remaining flat.

A full comparison between the renewal premiums for the 2016-17 period and the 2017-18 period is provided later in this report.

# Premiums

The following section provides a more in depth analysis of the premiums outcomes for this year's core policies at renewal. There is also a summary table at the end of this section showing premiums for all covers purchased by council.

## Material Damage and Business Interruption

The overall outcome of the insurance renewal for this year has been an increase in the underlying rate of 17%. However for a number of councils there has been a change in the declared values, so this is not necessarily represented in the pure premium charged.

Material Damage – MWLASS Group				
2016 Declared Values (Renewal)	2016 Premium (Renewal)	2017 Declared Values (Renewal)	2017 Premium (Renewal)	Premium Change
\$823,251,581	\$1,072,486	\$964,475,387	\$1,454,040	\$381,553

Individual Council Premiums – Rangitikei Regional Council				
2016 Declared Values (Renewal)	2016 Premium (Renewal)	2017 Declared Values (Renewal)	2017 Premium (Renewal)	Premium Change
\$79,646,162	\$85,766	\$66,079,325	\$105,093	\$19,316

The above premiums exclude government levies

## Motor Fleet

The existing Motor insurer Zurich was looking for significant premium increases on the motor premiums and as such we re-marketed the account. NZI provided the best terms of the insurers approached.

The below table shows the changes in fleet values, premiums, loss ratio and effective rates for the last three years.

Motor Fleet – MWLASS Group					
	2014	2015	2016	2017	Previous Three Year Average
Fleet Size	\$9,449,642	\$11,327,028	\$12,548,057	\$12,814,078	\$11,108,242
Premium	\$149,000	\$155,970	\$170,490	\$237,316	\$158,487
Claims Paid	\$148,537	\$169,595	\$113,284	N/A	\$143,805
Simple Loss Ratio	99%	108%	66%	N/A	91%
Effective Rate	1.58%	1.38%	1.36%	1.85%	1.44%

<b>Motor Vehicle –MWLASS Group</b>				
2016 Declared Values (Renewal)	2016 Premium (Renewal)	2017 Declared Values (Renewal)	2017 Premium (Renewal)	Premium Change
\$12,548,057	\$170,490	\$12,814,078	\$237,316	\$66,826

<b>Individual Council Premiums – Rangitikei Regional Council</b>				
2016 Declared Values (Renewal)	2016 Premium (Renewal)	2017 Declared Values (Renewal)	2017 Premiums (Renewal)	Premium Change
\$1,675,682	\$24,297.24	\$1,602,268	\$30,500.00	\$6,202.76

## General Liability and Professional Indemnity

We have had to change lead insurer this year for the Liability programme for the reasons mentioned in the renewal outcomes section of this report.

The table below shows the impact of the changes on the premium for the Public Liability and Professional Indemnity policies.

Cover	2016 Premium	2017 Premium	Premium Change
General Liability and Professional Indemnity	\$21,050	\$25,260	\$4,210

# Overall Premium Summary

The following table provides a summary of the premiums for this year's renewal based on the information that has currently been supplied by council.

<b>2016 V 2017 Premium Summary – Rangitikei District Council</b>			
<b>Policy</b>	<b>2016</b>	<b>2017</b>	<b>Difference/Saving</b>
Material Damage	\$ 85,018.36	\$ 104,216.64	\$ 19,198.28
Business Interruption	\$ 748.00	\$ 863.50	\$ 115.50
Motor Vehicle	\$ 24,297.24	\$ 30,500.00	\$ 6,202.76
Travel	\$ 185.00	\$ 239.69	\$ 54.69
Personal Accident	\$ 1,353.00	\$ 1,353.00	\$-
Forestry	\$ 256.86	\$ 315.57	\$ 58.71
Public / General Liability / Professional Indemnity	\$ 21,050.00	\$ 25,260.00	\$ 4,210.00
Employers Liability	\$ 578.00	\$ 578.00	\$-
Statutory Liability	\$ 1,215.00	\$ 1,215.00	\$-
Crime	\$ 1,837.95	\$ 1,930.20	\$ 92.25
<b>Totals</b>	<b>\$ 136,539.41</b>	<b>\$ 166,471.60</b>	<b>\$ 29,932.19</b>

# Insurer ratings

## Insurance (Prudential Supervision) Act 2010 as at 4 July 2013

In accordance with the Insurance (Prudential Supervision) Act 2010, Insurers' Financial Strength ratings are as follows:

Company	Rating	Rating agency
ACE Insurance Limited	AA-	Standard & Poor's
AIG Insurance New Zealand Limited	A	Standard & Poor's
Allianz Australia Insurance Limited (including GT Insurance, Club Marine, Euler Hermes Trade Credit, CPF 4)	AA-	Standard & Poor's
Atradius Insurance NV	A	AM Best
Berkshire Hathaway Specialty Insurance Company	AA+	Standard & Poor's
Civic Assurance/NZ Local Government	AA+	Standard & Poor's
Delta Insurance New Zealand Ltd approved cover holder for Lloyds of London	A+	Standard & Poor's
Dual New Zealand Limited (certain underwriters of Lloyds of London)	A+	Standard & Poor's
Lloyds	A+	Standard & Poor's
Lumley – a business division of IAG NZ Limited	AA-	Standard & Poor's
Mitsui Sumitomo Insurance Co	A+	Standard & Poor's
NZI – a business division of IAG NZ Limited (including NZI Marine, National Auto Club, Swann, CPF 4)	AA-	Standard & Poor's
QBE Insurance (Australia) Ltd	A+	Standard & Poor's
Vero Insurance New Zealand Limited (including Vero Liability, Vero Specialist Risks, Vero Marine, CPF 4)	A+	Standard & Poor's
Zurich Australasian Insurance Limited	A+	Standard & Poor's

Standard & poor's		Am best		Fitch	
AAA	Extremely Strong	A++ & A+	Superior	AAA	Exceptionally Strong
AA	Very Strong	A & A-	Excellent	All AA Class	Very Strong
A	Strong			All A Class	Strong
BBB	Good	B++ & B+	Good	All BBB Class	Good
BB	Marginal			All B Class	Weak
B	Weak				
CCC	Very Weak	C++ & C+	Fair	All C Class	Weak
CC	Extremely Weak	C & C-	Marginal		
SD	Selective Default				
D	Default	D	Very Vulnerable	All D Class	Distressed
R	Regulatory Supervision				
NR	Not Rated	E	Under Supervision		
Note SP Ratings	Ratings AA-CCC (+) or (-) show relative standing within the major rating categories	F	In Receivership	NR	Fitch does not rate the Insurer or issue in question

Aon New Zealand cannot guarantee the solvency of an insurer, but if you require any further information on these companies or their financial statements, please do not hesitate to ask.

# Queries

If you have any queries relating to this matter please contact either:

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# Other Aon Services

Our significant resources allow us to offer more than just the general insurance buying services traditionally offered by insurance brokers. In addition to the risk management services that we recommend MW LASS consider, we would also like to introduce the following specialists.

Service	Benefits to MW LASS
<b>Construction Services</b>	
<p>Dedicated team serving the construction industry with local and international experience. The team provides innovative and competitively priced insurance protection and risk management advice, including claims management.</p>	<p>The leading construction team in New Zealand with several senior acquisitions over the last 12 months. The team will work with MW LASS, from contractual advice to completion and handover.</p>
<b>Sprinkler Services</b>	
<p>Provision of inspection and certification of new and existing sprinkler systems, as well as biennial surveys as required under the Building Act. This is a unique service offered by Aon. None of our competitors have this capability.</p>	<p>Real linkage between property insurance portfolio and fire risk management. Advice and guidance on sprinkler system compliance. Reporting in a format that is tailored to your requirements. Beneficial pricing for Aon clients.</p>
<b>Fraud and Crisis Solutions</b>	
<p>Provides pre incident crisis placement advice, including the design and placement of crisis management insurances. Services covered include fraud, corruption, terrorism, kidnap and ransom, product recall and political risk.</p>	<p>Helps you understand your exposure to crisis risks, better prepare your responses to these situations, and ensure that appropriate risk-financing solutions are tailored to and reflect your risk needs.</p>
<b>Valuation Services</b>	
<p>Valuation services including insurance, accounting, market valuations for mergers and acquisitions and asset register reconstruction (reconciliation). Valuations cover all forms of physical assets including property, infrastructure, plant and equipment, IT and general office contents.</p>	<p>Ensures the correct sum insured is established and minimizes any potential for under-insurance (or over-insurance), as well as compliance with specific borrowing or banking covenants, accounting and tax standards.</p>
<b>Employee Benefits</b>	
<p>Advice, consulting solutions and administration (including reporting &amp; compliance services) of superannuation and retirement savings plans. For those organisations not wishing to manage their own fund, Aon offers a packaged Master Trust solution, which includes a complete outsourced superannuation solution to clients.</p>	<p>Convenient and innovative solution in an increasing complex environment, particularly under the choice of fund regime.</p>