

The Willis logo is displayed in white serif font on a dark blue rectangular background. This background is part of a larger header bar that also includes a yellow section on the left. The entire page has a background image of a long, brightly lit tunnel with rows of seats on the floor, receding into the distance.

Willis

# RENEWAL REPORT

**OPUHA WATER LIMITED**

**PERIOD OF INSURANCE:  
1 JUNE 2014 TO 1 JUNE 2015**

**DATE OF REPORT: 29 MAY 2014**

**NOTE:**

This Report is the property of Willis New Zealand Limited and is confidential to **Opuha Water Limited** and Willis New Zealand Limited. Accordingly, no part of this Report should be reproduced in any form or communicated to any other person, firm or company without the prior approval of Willis New Zealand Limited.



# CONTENTS

<b>Section 1 Introduction</b>	<b>1</b>
■ Introduction	2
<b>Section 2 Executive Summary</b>	<b>4</b>
<b>Section 3 Insurance Programme Commentary</b>	<b>6</b>
<b>Section 4 Premium Comparison</b>	<b>15</b>
■ Premium Comparison	16
<b>Section 5 Summary Of Insurance Programme</b>	<b>19</b>
■ Material Damage And Business Interruption. Hydro Generation Placement	20
■ Material Damage And Business Interruption Hydro Generation QBE Placement	24
■ Material Damage And Business Interruption Non Generation Assets	29
■ Motor Vehicle	33
■ General Liability	36
■ Directors & Officers Liability	38
■ Directors Liability Defence Costs	41
■ Statutory Liability	43
■ Employers Liability	45
<b>Section 6 Remuneration</b>	<b>47</b>
■ Our Remuneration	48
<b>Appendix A Market Commentary</b>	<b>50</b>
■ Property Insurance Market Update - February 2014	51
<b>Appendix B Major Uninsured Risks</b>	<b>55</b>
■ Major Uninsured Risks	56
<b>Appendix C Insurance Company Financial Strength Ratings</b>	<b>62</b>
■ Insurance Company Financial Strength Ratings	63
<b>Appendix D Willis Client Service Plan</b>	<b>65</b>
■ Service Plan	66
<b>Appendix E Important Notices</b>	<b>67</b>
■ Important Notices	68
<b>Appendix F Premium Funding</b>	<b>70</b>
■ The “Smarter Way”	71
<b>Appendix G WILLPLACE And Willis Quality Index®</b>	<b>72</b>
■ WILLPLACE	73
■ Willis Quality Index®	74

## Appendix H Acceptance Advice

### ■ Acceptance Advice

75

76

Willis Group Holdings plc is a leading global risk advisor, insurance and reinsurance broker. With roots dating to 1828, Willis operates today on every continent with more than 17,000 employees in over 400 offices. Willis offers its clients superior expertise, teamwork, innovation and market-leading products and professional services in risk management and transfer. Our experts rank among the world's leading authorities on analytics, modelling and mitigation strategies at the intersection of global commerce and extreme events. Find more information at our website, [www.willis.com](http://www.willis.com), our leadership journal, [Resilience](#), or our up-to-the-minute blog on breaking news, [WillisWire](#). Across geographies, industries and specialisms, Willis provides its local and multinational clients with resilience for a risky world.



# **SECTION 1**

# **INTRODUCTION**

# INTRODUCTION

We are pleased to present our Insurance Renewal Report (hereinafter called “this Report”) for Opuha Water Limited for the insurance year **1 June 2014 to 1 June 2015**.

This Report outlines the premium terms and a summary of coverage of the policies that we are recommending. The actual insurance coverage is subject to the full terms and conditions of the relevant policies.

## Important points relating to this Report

Please note the following important points relating to this Report:

- This Report has been based on the information you provided to us and on which we have relied. If you have not provided to us all material information or you discover that the information you have provided is inaccurate or has changed, please advise us immediately so that we can reconfirm terms with insurers. You should also read our Important Notices (Appendix E of this Report), which explains in detail your duty of disclosure, as well as a number of other issues relevant to these insurance products including what to do if you need to make a claim.
- It is important you review this Report to confirm that the recommended policies accurately reflect the coverage, conditions, limits and other terms that you require. If the quotations of terms and coverage are not in accordance with your instructions please advise us immediately.
- This Report should not be construed as providing any confirmation of actual insurance cover or any commitment by the insurers to provide insurance cover.
- Willis has no agreement with the insurers referred to in this Report to only provide and recommend their terms.
- The quotations in this Report expire on 1 June 2014 after which insurers may withdraw or vary them.
- These quotations are conditional upon there being no new claims or claims notifications between the date of this Report and the inception date of cover.
- It is important we receive your confirmation of acceptance as soon as possible. We must advise you that Willis will not be responsible for any consequences that may arise from any delay or failure by you to respond to us by 1 June 2014.

We have not obtained quotations from any other Insurers. Our recommendations in this Report are based on the Insurers existing policy coverage, pricing, claims handling service, our knowledge and experience of the market segments and consideration of the insurance contracts previously arranged in such segments.

We thank you for the opportunity to present this Report to you and look forward to receiving your final instructions in due course.



---

Steve Sugrue  
Account Director



---

Anthony Paris  
Account Manager  
Financial, Executive & Professional Risks (FINEX)



# **SECTION 2**

# **EXECUTIVE SUMMARY**

## EXECUTIVE SUMMARY

This year's renewal strategy was discussed and agreed over several different meetings and has been described in our earlier correspondence. Two key factors came into forming the renewal strategy:

- Market conditions and OWL expectations for this renewal
- The ability to work with existing insurers

These are the determining factors in deciding whether to remarket your insurance programme now or to defer and reassess next year. We had confidence in the existing panel of insurers knowing we could work with them to achieve an outcome that would put you in a position similar to that had a remarket been carried out. The renewal has followed a pathway we envisaged and we are pleased with the final result. The highlights are:

- reducing the premium on the Hydro Generation policy,
- improved Flood deductible on the Hydro Generation policy
- Adjusting co-insurer proportions to benefit OWL
- Separating property into Hydro Generation and Non Generation policies.
- Amalgamation Liabilities being included into the existing Liability programme
- Retaining existing premium / rates on the Liability programme and Non Generation policy
- One of our objectives is to change the negative perception the insurance industry has of OWL and for OWL to become a desired risk for insurers across all policy types.

One of our objectives is to change the negative perception the insurance industry has of OWL and for OWL to become a desired risk for insurers across all policy types.

Assuming the OWL risk profile remains similar and the claims outturn also remains similar we believe OWL will be well placed to go to the market next year.

This year's renewal has been successful and we trust you will find the comments in this Report will support this.

### WillPLACE

Willis' insurance professionals worldwide are now using a unique new application to help them develop client solutions with the best markets, price and terms. WillPLACE allows Willis professionals to tap into a vast wealth of market knowledge and analytics, known as MarketMatch. MarketMatch uses revolutionary algorithms to make recommendations about the best markets with which to place risks in order to get the best result for our client's organisation.



# **SECTION 3**

# **INSURANCE PROGRAMME**

# **COMMENTARY**

**The following commentary is taken from our earlier meeting notes and has relevance to the outcome of this renewal. The Willis Renewal Questionnaire was completed together by Tony McCormick and Steve Sugrue.**

## **Market Conditions**

We discussed market conditions and Willis advised the property market has eased in NZ and insurers are competing for quality business. Canterbury and Wellington are still the exceptions where seismic activity is still a serious concern and we are still in a position where not all insurers are able to underwrite in these locations. Where insurers are providing cover, all business is being carefully underwritten and due to lack of insurer interest it is still proving difficult to create competition.

Insurers are competing hard throughout the rest of NZ and we are seeing rates on non-earthquake perils reducing. This is not the case for earthquake rates which are generally fixed and influenced by reinsurance contracts. The same applies for Earthquake deductibles which are tied in to reinsurance contracts and there is little difference between insurers. We do not expect this to change in the near future.

London is proving to be an important market and for accounts that have been there continuously we are now seeing the benefit with consistent competitive rates and deductibles.

The Liability and Motor markets are separate markets to property and these continue to be competitive. Last year we made very good savings on the liability programme and we expect the rates to be equally competitive again this year.

## **Marketing Strategy**

We discussed the key policies in the context of market conditions described above and agreed the following

**Property** – the Hydro policy is co-insured and placed 60% London markets and 40% QBE NZ. This was a deliberate strategy last year with the intention of easing OWL into the NZ market. This is still our view and even though the market is showing signs of softening we believe a full remarket is premature at this stage. Both of the existing insurers have indicated renewal terms will be no higher than last year and possibly lower. We did discuss the merits of carrying out a full remarket this year but agreed with the amalgamation issue still on-going and to include the irrigation companies would be too difficult this year. It is highly likely the market will continue to soften and to defer the remarket to next year would more than likely provide a better long term outcome.

Non Hydro policy – is insured with QBE and as they are involved in the Hydro policy we do not see any advantage in involving other market.

**Liability** – we discussed the fact that QBE's renewal terms last year were very competitive and whether or not they would be sustainable. Our view is they will be sustainable and as well as this we are currently working with QBE over the amalgamation Liability issues which from a timing point of view overlap the renewal date meaning effectively there is no alternative but to work with QBE. In saying this we believe QBE are competitive and are a good choice of insurer.

**Motor** – this policy is with Vero and has been for some time. Vero was the most competitive market last year and it is unlikely they will have slipped from this position. Assuming their terms are within our expectation we would recommend working solely with them on this renewal. If their terms are not acceptable we will obtain alternative quote.

### **Material Damage and Business Interruption Hydro Assets**

The existing policy limits, deductibles and endorsements were reviewed.

Basis of valuation on Dam and Civil property discussed. Agreed to hold off updating valuations until amalgamation at which time all assets can be included. In the meantime it was agreed to increase sums based on indices and since the meeting Tony has provided reviewed relevant statistical indices.

Sums Insured agree to be adjusted as follows:

- Dam and all Civil Works increase from \$48.0m to \$51.7m
- Plant & Equipment associated with the above increase from \$8.0m to \$8.6m
- Sutherlands Scheme Civil Works sum insured increase from \$850,000 to \$870,000. (note discussion over the type of property insured and agreed this is categorised as Civil and insured under Column 1 of policy,
- Business Interruption Loss of Revenue and Additional Costs of Working. Reduced from \$11.1m to \$10.0m. We discussed various claim scenario's and was felt the existing sum insured representing 100% revenue is high as so there will be a certain amount of revenue derived from Irrigation sales using run of river water to supply Irrigators.
- Request insurer include Alpine Energy's Fairlie Sub- Station onto BI Dependency
- Indemnity Period on Dam currently 24 months. This was discussed and whilst it is noted a significant loss could exhaust this amount it was agreed to defer increasing this until a more thorough review can take place.
- Indemnity Period for Machinery Breakdown 12 months. – agreed to leave as is.

Other policy sub-limits and deductibles considered to be adequate.

Both insurers will be asked to quote 100% capacity.

### **Material Damage and Business Interruption Other Assets**

The existing policy limits, deductibles and endorsements were reviewed.

Existing sums insured are adequate for now but will be reviewed upon completion of the alterations to the Office building.

A point of discussion during our meeting was the inclusion or otherwise of the new Shed adjacent to the Office building and we can confirm this is included within the sum insured

The Office Building sum insured is \$291,693

The storage/utility shed building sum insured is \$43,307.

The following is a summary of renewal changes:

## Material Damage Hydro Assets

### Key factors

Reduction in premium of 7%.

Co-insurance adjusted increasing London proportion from 60% to 75% and QBE reducing from 40% to 25%.

QBE Flood deductible reduced from \$1,507,000 to \$1,000,000.

Sum insured on Dam, Civil Works and Plant increased from \$58,000,000 to \$61,170,000

Business Interruption sum insured reduced from \$11,000,000 to \$10,000,000

Business Interruption – inclusion of Alpine Energy's Fairlie sub-station

### Claims

Nil

### Insurer Options including Exclusions, Subjectivities, Warranties

Premium payment warranty.

80% Average clause

## Material Damage Non Hydro Assets

### Key factors

Sums insured reviewed and confirmed as adequate.

Premium rate and deductible remain unchanged.

### Claims

No outstanding claims

## Motor Vehicle

### Key factors

Vehicle fleet reviewed and sums insured adjusted where appropriate.

Premium rate increase due to claims loss ratio. Still considered market competitive.

### Claims

No outstanding claims

## Liability Programme

### Market Conditions and Developments

- Following a sustained period of stability with the major insurers in New Zealand, in December 2013 IAG announced their intention to purchase the insurance underwriting businesses of Wesfarmers Limited. In New Zealand the acquisition includes the business trading under the Lumley Insurance brand. The agreement is subject to regulatory approvals, and is expected to be completed by the second quarter of the 2014 calendar year. Following approval it is expected to take some time for the integration of the NZI and Lumley brands, and the effect of the merger of these two large carriers is unlikely to be felt in the 2014 renewal cycle.
- For the underwriting of risks there is little change in the approach taken by Liability Insurers in New Zealand, with competition still apparent for most professions and industry groups where clients present attractive risk profiles. Where a client's risk profile has changed or they have incurred claims, either through payment of legal defence costs or settlements, Insurers are continuing to take a more cautious approach.
- While the insurance market itself remains largely unchanged, there are significant developments occurring on the liability landscape for companies operating in New Zealand. In particular, the recent Supreme Court decision in the "Steigrad/Bridgecorp" case, and the Government's focus on Workplace Health and Safety practices, both increase the exposures and responsibilities faced by Directors and Officers.

### Steigrad/Bridgecorp" and Liability Policies

The Supreme Court ruling in the "Steigrad/Bridgecorp" case affirmed that a section 9 charge created under the Law Reform Act 1936 could be laid against any liability insurance policy, and where such a policy has a single Limit of Indemnity covering both damages/compensation and defence costs, it would prevent the Limit from being used to fund an Insured's defence costs.

To address this exposure, QBE's solution is to split the D&O policy to provide a separate defence costs policy which ensures that Directors have access to defence costs even in the event of a Section 9 charge being put over the Policy.

We have included options to split the current D&O policy limit and allocate part of the limit to a separate defence costs policy – this does not incur any additional premium. Alternatively, additional defence costs can be purchased over and above the current limit and we have provided options for this.

Statutory Liability and Employers Liability policies are both structured with a single combined Limit of Indemnity covering both damages/compensation and defence costs. While it is believed that a section 9 charge would not apply to fines for breaches of a New Zealand statute covered by a Statutory Liability policy, it is possible that reparation awards insured under this policy could be deemed to be compensatory in nature and therefore susceptible to a section 9 charge. Third party claims under an Employers Liability could also be subject to a charge as they are payments of compensation.

To address this exposure, the Limits of Indemnity under QBE's Statutory and Employers Liability policies are now endorsed so that defence costs are payable in addition to the Limit of Indemnity stated on the schedule (up to a maximum of \$1,000,000 or the Limit of Indemnity, whichever is the lesser). There is no increase in premium to apply these endorsements.

Opuha Water Limited's General Liability policy is already written with 'defence costs in addition' and therefore no action needs to be taken.

## Directors & Officers Liability

As per your instructions, Willis were instructed to negotiate only with the incumbent insurer, QBE Insurance (International) Limited.

As mentioned in our commentary above, we have included an option to purchase a separate defence costs policy. We have included various cover options for this.

### Prospectus Issue:

As per our recent discussions, we have instructed QBE to amend the existing D&O Policy to include the issue of the upcoming Prospectus.

To reiterate our previous advice provided in our recent email correspondence, the Prospectus (and the resulting liabilities arising from its issue) can be insured within the existing D&O programme. This is now in place following your instructions and the Prospectus Liability Extension has been applied.

As the prospectus is not a capital raising exercise, we recommended including the cover within the current policy as opposed to a separate standalone Prospectus policy.

The disadvantage of including it under the D&O policy is that potential claims can erode the limit that is also available to Directors for other matters and if this happens the subsequent renewals maybe influenced by the claims history dominated by any prospectus issue.

The major advantage to including in under the existing D&O programme is that it is much more economical for the Company.

As the risk exposure has increased with the inclusion of the Prospectus, you may wish to consider increasing the current Limit of Indemnity. Alternative limits are offered below (further options are available):

### Alternative Limits:

We have asked QBE to provide quotations for some alternative limits. These are as follows:

Limit of Indemnity	\$7,500,000 any one claim and in the aggregate:
--------------------	---

Premium:	\$13,250 plus GST
----------	-------------------

Limit of Indemnity	\$10,000,000 any one claim and in the aggregate:
--------------------	--

Premium:	\$16,750 plus GST
----------	-------------------

## QBE's New D&O Policy Wording

QBE has recently released its new Directors & Officers Policy wording (DOL1013) and companion Directors Defence Costs Policy (DDC1013). We are recommending that your current D&O Policy is transferred onto their upgraded wording from renewal.

One of the major amendments is the application of a separate Defence Costs Policy (as opposed to the previous split being applied through an endorsement to the policy). The Defence Costs Policy sits alongside the existing D&O Policy and ring fences funds for defence costs. In addition to this the Directors & Officers Liability Policy will allow for defence costs payments but only in excess of the Defence Costs Policy and only if legally permissible.

The new wording also provides worldwide coverage as automatic, however this does not include Pollution cover or fines, penalties or punitive/exemplary damages in the USA and certain USA legislation governing securities, racketeering or the Employee Retirement Income Security Act 1974.

A summary of the other major changes are noted in the table below for your reference. A full copy of the Policy Wording will be provided to you accordingly.

COVER	QBE D&O POLICY (DOL 0704)	QBE D&O POLICY (DOL 1013)
Bail Bond	-	10% Limit of Indemnity (max NZ\$300,000)
Public Relations Expenses	-	NZ\$100,000
Corporate Manslaughter Defence Costs	-	Included
Extended Reporting Period	Optional	Automatic
Emergency Defence Costs	-	10% Limit of Indemnity 14 Days
Extradition Costs	-	Included
Fines & Penalties	-	Included (where legally insurable)
Tax Liability	-	Included (NZ\$1,000,000 max)
Health & Safety Defence Costs	Sublimit: NZ\$250,000	Full Limit of Indemnity
Management Buy Outs	-	Included
Investigations and Enquiries	Sublimit NZ\$250,000 (attendance must be legally compellable)	Full Limit of Indemnity (even if attendance is not legally)
Retired Directors	Not Included	Optional (84 months)
Insured vs Insured	Excluded	Not excluded
Pollution	Defence Costs Only	Not excluded Full Limit of Indemnity
War, Terrorism and Nuclear Events	Excluded	Not excluded

## General Liability

QBE Insurance (International) Limited have offered renewal based on your expiring terms and conditions.

Your Limit of Indemnity is \$10,000,000 and a \$5,000 Excess applies. The renewal premium of \$12,000.00 plus GST remains as expiring.

The following Exclusions continue to apply to the Policy:

- Professional Advice Total Exclusion
- Failure to Supply Exclusion
- EMFs Exclusion
- PCBs Exclusion

## Employers Liability

As noted in the D&O section, the recent decision has implications for all Third party Liability policies with costs inclusive limits of indemnity. To address this exposure, the Limits of Indemnity under QBE's Statutory and Employers Liability policies are now endorsed so that defence costs are payable in addition to the Limit of Indemnity stated on the schedule (up to a maximum of \$1,000,000 or the Limit of Indemnity, whichever is the lesser).

Your existing Limit of Indemnity is \$1,000,000 any one claim and in the aggregate including costs and expenses plus GST.

### Renewal Terms:

Limits: Loss \$1,000,000 and Legal Costs and Expenses \$1,000,000  
Premium: \$400 plus GST

You will see that in addition to your chosen Limit of Indemnity, an additional Limit of \$1,000,000 will apply for Legal Costs and Expenses.

The existing policy wording will continue to apply, with the inclusion of the following endorsement:

### ***“Legal Costs and Expenses Endorsement (ELC0110)***

*Operative Clauses 2. and 3. are deleted.*

*The following is added to Limits of Indemnity*

1. *In addition to 1 and 2, QBE shall pay Legal Costs and Expenses incurred with the written consent of QBE in the defence or settlement of any Claim, up to the Limit of Indemnity of NZD1,000,000, whichever is the lesser.*

*Definition 6. “Legal Costs and Expenses” is deleted and replaced with:*

*The Legal Costs and Expenses and/or defence witness costs and expenses and/or defence expert costs and expenses incurred in investigating and/or defending any Claim; including Legal Costs and Expenses incurred where, in respect of a Claim, the Insured makes an application to the Court to determine whether the Personal Injury is properly the subject of cover pursuant to the Accident Rehabilitation and Compensation Insurance Act 1992 or the Accident Insurance Act 1998 or any amending or replacement legislation.”*

## Statutory Liability

As noted in the D&O section, the recent decision has implications for all Third party Liability policies with costs inclusive limits of indemnity. To address this exposure, the Limits of Indemnity under QBE's Statutory and Employers Liability policies are now endorsed so that defence costs are payable in addition to the Limit of Indemnity stated on the schedule (up to a maximum of \$1,000,000 or the Limit of Indemnity, whichever is the lesser).

Your existing Limit of Indemnity is \$1,000,000 any one claim and in the aggregate including costs and expenses plus GST.

We have obtained three options from QBE Insurance (International) Limited for renewal:

### Renewal Terms:

Limits: Loss \$1,000,000 and Legal Costs and Expenses \$1,000,000  
Premium: \$1,750 plus GST

You will see that in addition to your chosen Limit of Indemnity, an additional Limit of \$1,000,000 will apply for Legal Costs and Expenses.

The existing policy wording will continue to apply, with the inclusion of the following endorsement:

### ***"Defence Costs Endorsement (STL0110)***

*The following is added to Insuring Clause 2. Limits of Indemnity:*

*2.3 In addition to 2.1 and 2.2, QBE shall pay Defence Costs, up to the Limit of Indemnity or NZD1,000,000, whichever is the lesser."*



## **SECTION 4**

# **PREMIUM COMPARISON**

# PREMIUM COMPARISON

OPUHA WATER LIMITED - PREMIUM SUMMARY		
Description of Item	Sums Insured 2013/2014	Sums Insured 2014/2015
<b>1. MD&amp;BI Hydro Assets</b>		
<b>All Works Associated with Opuha Dam</b>		
Hydro Dam& All Civil Works	\$48,000,000	\$51,700,000
All Plant, Machinery & Contents	\$8,000,000	\$8,600,000
<b>Sutherlands Scheme - Civil</b>	\$2,000,000	\$870,000
<b>TOTAL MATERIAL DAMAGE</b>	<b>\$58,000,000</b>	<b>\$61,170,000</b>
<b>Machinery Breakdown.</b>	<b>\$8,000,000</b>	<b>\$8,000,000</b>
<b>Business Interruption - All Perils</b>		
Loss of Earnings/Additional Expenditure	\$11,000,000	\$10,000,000
Claim Preparatin Costs	\$100,000	\$100,000
<b>Total Business Interruption</b>	<b>\$11,100,000</b>	<b>\$10,100,000</b>
<b>Total Material Damage/Business Interruption Sum Insured</b>	<b>\$69,100,000</b>	<b>\$71,270,000</b>
Indemnity Period - Material Damage	24 Months	24 Months
Indemnity Period - Machinery Breakdown	12 months	12 months
<b>Excess Levels</b>		
Material Damage	***Split Deductibles based on coinsurance %. See detail below.	***Split Deductibles based on coinsurance %. See detail below.
Business Interruption	30 Day Time Excess	30 Day Time Excess
London 75% Premium	\$159,300.00	\$188,999.92
QBE 25% Premium	\$122,000.00	\$62,999.97
<b>100% Annual Premium</b>	<b>\$281,300.00</b>	<b>\$251,999.89</b>
<b>FSL</b>	<b>\$9,122.52</b>	<b>\$9,122.52</b>
<b>TOTAL</b>	<b>\$290,422.52</b>	<b>\$261,122.41</b>
<b>2. MD&amp;BI Office Assets</b>		
<b>Corner Arowhenua Road / Pleasant Point Highway</b>		
Buildings ( Office & Storage)	\$291,693	\$335,000
Office Equipment & Contents	\$80,000	\$80,000
General Tools & Equipment . AINZ	\$60,000	\$60,000
	\$0	\$0
	\$0	\$0

<b>Sub - total</b>	<b>\$431,693</b>	<b>\$475,000</b>
<b>Sutherlands Scheme (Excl Civil)</b>		
Power Supply, Switchgear, Controls	189,300	189,300
Telemetry Equipment	10,000	10,000
Pumps & Equipment	515,000	515,000
Buildings & Structures - Pumphouse	65,000	65,000
Misc incl professional fees allowance	50,000	50,000
<b>Total Sutherlands</b>	<b>\$829,300</b>	<b>\$829,300</b>
<b>Total Material Damage</b>	<b>\$1,260,993</b>	<b>\$1,304,300</b>
<b>Business Interruption - All Perils</b>		
Additional Expenditure	\$50,000	\$50,000
Claims Preparation Costs	\$20,000	\$20,000
<b>Business Interruption Total</b>	<b>\$70,000</b>	<b>\$70,000</b>
<b>Total Material Damage/Business Interruption Sum Insured</b>	<b>\$1,330,993.00</b>	<b>\$1,374,300.00</b>
Indemnity Period	12 Months	12 Months
<b>Excess Levels</b>		
Material Damage	\$1,000 all claims, except Theft \$2,500, Landslip/Subsidence \$5,000, Earthquake 5% of site sum insured with a minimum of \$5,000 applies to combined Material Damage & Business Interruption loss	\$1,000 all claims, except Theft \$2,500, Landslip/Subsidence \$5,000, Earthquake 5% of site sum insured with a minimum of \$5,000 applies to combined Material Damage & Business Interruption loss
Business Interruption	Nil	Nil
<b>Annual Premiums</b>	<b>\$6,006.29</b>	<b>\$5,410.16</b>
<b>FSL</b>	<b>\$1,008.74</b>	<b>\$1,041.65</b>
<b>TOTAL</b>	<b>\$7,015.03</b>	<b>\$6,451.80</b>
<b>Motor Vehicle</b>		
Total Sum Insured	\$142,000	\$153,000
Excess Levels	1% of the vehicle value subject to a min \$400 plus u/age.	1% of the vehicle value subject to a min \$400 plus u/age.
<b>Annual Premiums</b>	<b>\$3,125.24</b>	<b>\$3,629.15</b>
<b>FSL</b>	<b>\$42.56</b>	<b>\$48.64</b>
<b>TOTAL</b>	<b>\$3,167.80</b>	<b>\$3,677.79</b>
<b>Liability Programme</b>		
<b>1. Public Liability</b>		
Limit of Indemnity	\$10,000,000	\$10,000,000
Excess - general	\$5,000	\$5,000
<b>Annual Premiums</b>	<b>\$12,000.00</b>	<b>\$12,000.00</b>

<b>2. Directors and Officers Liability</b>		
Limit of Indemnity (any one claim and in the aggregate)	\$5,000,000	\$5,000,000
Directors Defence Costs	Included	(TBC)
Excess	Nil except Company Reimbursement \$10,000	Nil except Company Reimbursement \$10,000
<b>Annual Premiums</b>	<b>\$11,250.00</b>	<b>\$11,250.00 (TBC)</b>
<b>3. Statutory Liability</b>		
Limit of Indemnity	\$1,000,000	\$1,000,000
Excess	\$5,000	\$5,000
<b>Annual Premiums</b>	<b>\$1,500.00</b>	<b>\$1,750.00</b>
<b>4. Employer's Liability</b>		
Limit of Indemnity	\$1,000,000	\$1,000,000
Excess	\$5,000	\$5,000
<b>Annual Premiums</b>	<b>\$250.00</b>	<b>\$400.00</b>
<b>Total Liability Premium</b>	<b>\$25,000.00</b>	<b>\$30,000.00</b>
<b>WILLIS' FEE</b>	<b>\$50,000.00</b>	<b>\$50,000.00</b>
<b>Total Insurance Premiums Including Fee/FSL (excluding GST)</b>	<b>\$375,605.35</b>	<b>\$346,652.00</b>

**Note:** The above premiums include Fire Service Levies but exclude Goods & Services Tax. Also excluded are the Australian charges applicable to any Australian assets.

**Fire Service Levies for the New Zealand covers are calculated / estimated as:**

Material Damage	\$10,164.17
Motor Vehicle	\$48.64



# **SECTION 5 SUMMARY OF INSURANCE PROGRAMME**

# MATERIAL DAMAGE AND BUSINESS INTERRUPTION. HYDRO GENERATION PLACEMENT

## SCHEDULE A Attaching to and Forming Part of Combined Material Damage & Business Interruption Policy

<b>Type:</b>	Insurance of: All risks of Direct Physical Loss or Damage including Machinery Breakdown														
<b>Insured:</b>	Opuha Water Ltd and/or subsidiaries and /or related companies and/or financiers and all parties for whom the insured undertakes to insure for their respective rights and interests														
<b>Period of Insurance:</b>	From: 4.00pm 1 June 2014 To: 4.00pm 1 June 2015 and any subsequent Period for which the Insured shall pay or agree to pay and Insurers agree to accept a premium for the renewal of this Policy														
<b>Currency:</b>	All amounts shown are expressed in New Zealand Dollars, unless specified otherwise														
<b>Interests:</b>	All real and personal property of every kind and description and business interruption loss of revenue including additional increased cost of working and claims fee all as more fully defined in the policy wording														
<b>Loss Limit:</b>	<p><b><i>Each and every loss</i></b></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 80%;"><b><i>Property Damage /Business interruption Combined</i></b></td> <td style="width: 5%; text-align: right;">\$</td> <td style="width: 15%; text-align: right;">61,170,000</td> </tr> <tr> <td><b><i>Mechanical &amp; Electrical Breakdown</i></b></td> <td style="text-align: right;">\$</td> <td style="text-align: right;">8,000,000</td> </tr> </table> <p><b><i>Business Interruption:</i></b></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">Loss of Revenue and Additional Increased Cost of Working Including Mechanical &amp; Electrical Breakdown:</td> <td style="width: 5%; text-align: right;">\$</td> <td style="width: 15%; text-align: right;">10,000,000</td> </tr> <tr> <td>Claims Fees</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">100,000</td> </tr> </table>			<b><i>Property Damage /Business interruption Combined</i></b>	\$	61,170,000	<b><i>Mechanical &amp; Electrical Breakdown</i></b>	\$	8,000,000	Loss of Revenue and Additional Increased Cost of Working Including Mechanical & Electrical Breakdown:	\$	10,000,000	Claims Fees	\$	100,000
<b><i>Property Damage /Business interruption Combined</i></b>	\$	61,170,000													
<b><i>Mechanical &amp; Electrical Breakdown</i></b>	\$	8,000,000													
Loss of Revenue and Additional Increased Cost of Working Including Mechanical & Electrical Breakdown:	\$	10,000,000													
Claims Fees	\$	100,000													
<b>Total Values at Risk:</b>	<table border="0" style="width: 100%;"> <tr> <td style="width: 80%;"><b><i>All Property (including Plant &amp; Equipment)</i></b></td> <td style="width: 5%; text-align: right;">\$</td> <td style="width: 15%; text-align: right;">61,170,000</td> </tr> <tr> <td><b><i>Business Interruption</i></b></td> <td style="text-align: right;">\$</td> <td style="text-align: right;">10,100,000</td> </tr> <tr> <td><b><i>Plant &amp; Equipment (in respect of Machinery Breakdown)</i></b></td> <td style="text-align: right;">\$</td> <td style="text-align: right;">8,000,000</td> </tr> </table>			<b><i>All Property (including Plant &amp; Equipment)</i></b>	\$	61,170,000	<b><i>Business Interruption</i></b>	\$	10,100,000	<b><i>Plant &amp; Equipment (in respect of Machinery Breakdown)</i></b>	\$	8,000,000			
<b><i>All Property (including Plant &amp; Equipment)</i></b>	\$	61,170,000													
<b><i>Business Interruption</i></b>	\$	10,100,000													
<b><i>Plant &amp; Equipment (in respect of Machinery Breakdown)</i></b>	\$	8,000,000													

<b>Sub Limits:</b>	<b>Material Damage</b>		
	Mechanical & Electrical Breakdown	\$	8,000,000
	Capital Additions	\$	500,000
	Employee & Directors Personal Effects	\$	50,000
	Keys & Locks	\$	5,000
	Money:		
	■ Section A	\$	10,000
	■ Section B	\$	2,000
	Protection Costs	\$	100,000
	Spoilage	\$	5,000
	Subsidence & Landslip	\$	1,000,000
	Goods in Transit	\$	100,000
	Contract Works	\$	500,000
	Expediting Costs	\$	1,000,000
	Removal of Debris	\$	1,000,000
	Electric Current Damage	\$	100,000
	<b>Business Interruption</b>		
	Mechanical & Electrical Breakdown	\$	2,500,000
	Acts of Civil Authorities	10% of BI Sum Insured	
	Prevention of Access	10% of BI Sum Insured	
	Disease extension	10% of BI Sum Insured	
	Failure of Utilities	10% of BI Sum Insured	
	New/Building Property Extension	10% of BI Sum Insured	
	Suppliers & Customers Premises	10% of BI Sum Insured	
	Claims Fee	\$	100,000
	Dependency	10% of BI Sum Insured	
	Dependency - Alpine Energy Limited's Fairlie substation	\$	2,500,000
	- Transpower's Albury Switchyard		

The above Sub Limits are understood to be in excess of the relevant Deductibles.

**Indemnity Period:** 24 Months in respect of Material Damage.  
12 Months in respect of Mechanical & Electrical Breakdown.

**Deductibles:**

**Property Damage**  
Earthquake 2% of the Loss subject to a minimum of \$250,000 but \$100,000 each and every other claim

**Business Interruption**  
30 Days each and every other claim

**Business:** Hydro Generator, Supplier of Irrigation Water, Landlord and tenant and any other activity connected therewith

<b>Situation:</b>	New Zealand as more fully defined in the Policy Wording
<b>Conditions:</b>	<p>All terms and conditions as set forth in the wording, such wording being based on Standard New Zealand Material Damage and Business Interruption Combined as agreed by QBE Insurance (International) Limited incorporating the following:</p> <ul style="list-style-type: none"> <li>■ LMA5062 Fraudulent Claim Clause</li> <li>■ NMA2962 Chemical &amp; Biological exclusion</li> <li>■ NMA1622 Radioactive Contamination &amp; Explosive Nuclear Assemblies Exclusion</li> <li>■ Excluding T+D Lines beyond 1,000ft of Insureds Properties</li> <li>■ NMA 2918 08/10/01 War &amp; Terrorism exclusion endorsement, attached</li> <li>■ LSW1001 Several liability Endorsement</li> <li>■ NMA468 Warranty Breach</li> <li>■ WEH Asbestos Clause</li> <li>■ Micro-organism Exclusion (MAP) Absolute</li> <li>■ Radioactive Contamination Exclusion Clause</li> <li>■ Machinery Breakdown</li> <li>■ Contract Works</li> <li>■ Locations</li> <li>■ Electronic Data Exclusion</li> <li>■ Electronic Equipment and/or Device Endorsement</li> <li>■ Earthquake Definition</li> <li>■ Human Infectious or Contagious Disease or Bacterial Infection; and Defective Drains and/or Sanitary Arrangements</li> <li>■ Transmission and Distribution Lines Exclusion</li> <li>■ Seismic Strengthening Endorsement</li> <li>■ Dependency</li> <li>■ Reinstatement of Amount</li> <li>■ Margins Clause</li> <li>■ Downstream Weir Fuse Plugs</li> <li>■ Limit of Liability per Kilowatt Hour</li> <li>■ Constructive Loss</li> </ul>
<b>Insurer:</b>	Various Via Lloyds of London
<b>Proportion:</b>	75%

## Schedule B

**For: Opuha Water Limited**

Property Insured situated as described hereunder and elsewhere as specified and Fees and Expenses stated, the Limits of Liability in the several columns hereof understood to apply respectively to

**Property Insured shall mean:**

**Column 1:** Hydro Dam, Civil Works including all Property, Structures, Earthworks, Raceways owned and/or used by the insured

**Column 2:** Plant, Machinery and All other Real and Personal Property of every kind or description, the Insured's own or held by them jointly or in trust or on commission or for which they are responsible or have assumed responsibility prior to any loss or damage but excluding property covered under Columns 1 hereof and property insofar as it is otherwise specifically insured

DESCRIPTION	COLUMN 1	COLUMN 2	TOTAL PROPERTY INSURED	BASIS OF SETTLEMENT
	\$	\$	\$	
All Works associated with Opuha Dam	51,700,000	8,600,000,	<b>60,300,000</b>	RV
Sutherlands Scheme	870,000		<b>870,000</b>	RV
<b>Total</b>	<b>52,570,000</b>	<b>8,600,000</b>	<b>61,170,000</b>	RV

Basis Of settlement

(RV) Denotes Replacement Value

# MATERIAL DAMAGE AND BUSINESS INTERRUPTION HYDRO GENERATION QBE PLACEMENT

**Insured:** Opuha Water Ltd and their subsidiary Companies and Companies for which they have Management Control and Joint Ventures, as now or hereafter constituted, formed or acquired

**Period of Insurance:** From: 4.00pm 1 June 2014  
To: 4.00pm 1 June 2015  
and any subsequent Period for which the Insured shall pay or agree to pay and Insurers agree to accept a premium for the renewal of this Policy

**Currency:** All amounts shown are expressed in New Zealand Dollars, unless specified otherwise

**Interests:** All real and personal property of every kind and description and business interruption loss of earnings including additional expenditure and claims preparation cost all as more fully defined in the policy wording

**Loss Limits:**

<b>Property Damage:</b>	
Material Damage: All Perils including Earthquake	\$ 61,170,000
Mechanical & Electrical Breakdown	\$ 8,000,000
<b>Business Interruption:</b>	
Loss of Revenue and Additional Increased Cost of Working including Mechanical & Electrical Breakdown:	\$ 10,000,000
Claims Fees	\$ 100,000

<b>Total Values at Risk:</b>	<b>All Property (including Plant &amp; Equipment)</b>	\$ 61,170,000
	<b>Business Interruption</b>	\$ 10,100,000
	<b>Plant &amp; Equipment (in respect of Machinery Breakdown)</b>	\$ 8,000,000

**Sub-Limit(s) of Liability:** The liability of the Insurer(s) shall be further limited in respect of any one loss or series of losses arising out of any one event as set out hereunder and it is understood and agreed that such Sub-Limit(s) shall not increase the liability of the Insurer(s) beyond the Limit(s) of Liability expressed above and also the under-mentioned excess will apply in respect of such Sub Limit(s) but shall not be cumulative.

<b>Section 1 - Material Damage</b>	
Mechanical & Electrical Breakdown (MD Only)	\$ 8,000,000
Capital Additions	\$ 500,000
Employee & Directors Personal Effects	\$ 50,000
Keys & Locks	\$ 5,000

Money:		
■ Section A	\$	10,000
■ Section B	\$	2,000
Protection Costs	\$	100,000
Spoilage	\$	5,000
Subsidence & Landslip	\$	1,000,000
Goods in Transit	\$	100,000
Contract Works	\$	500,000
Expediting Costs	\$	1,000,000
Removal of Debris	\$	1,000,000
Electric Current Damage	\$	100,000

The Sub Limits stated above are understood to be in excess of the relevant Deductibles

**Section 2 - Business Interruption**

Acts of Civil Authorities	10% of BI Sum Insured
Dependency - Non Earthquake	10% of BI Sum Insured
Electrical & Mechanical Breakdown	\$ 2,500,000
Dependency - Alpine Energy Limited's Fairlie substation - Transpower's Albury Switchyard	\$ 2,500,000

**Indemnity Period:** 24 Months in respect of Material Damage.  
12 Months in respect of Mechanical & Electrical Breakdown.

**Deductibles:**

**Option 1**

**Property Damage**

Earthquake 2% of the Loss subject to a minimum of \$250,000 but \$100,000 each and every other claim

**Business Interruption**

30 Days each and every other claim

**Option 2**

**Section 1**

**Material Damage:**

Standard	\$	50,000
Earthquake & Flood		
2.5% of Section 1 Site* sum insured subject to a minimum of \$500,000 arising out of any one loss or series of losses arising from one Event, applies to the combined Material Damage & Business Interruption Loss		

\*Site means a parcel or contiguous parcels of land owned or occupied by an insured. Parcels are deemed contiguous despite any lanes, roads, or similar which may bisect or separate and parcel(s)

## **Section 2**

### **Business Interruption:**

All losses (except as above for Earthquake & Flood) - 30 days

**Business:** Hydro Generator, Supplier of Irrigation Water, Landlord and tenant and any other activity connected therewith

**Locations:** Any address noted in Schedule B (attached separately)

**Policy Wording:** WAP V1

**Endorsements:** **QBE/ Willis MDBI WAP v1 Endorsement (0812)**

### ***Exclusions to Section One***

Contract Works

### ***Amendments to Schedule A***

Locations

### ***Additional Endorsements***

- Basis of Settlement
- Cyber Risk
- Deep Frying
- Earthquake Definition
- Human Infectious or Contagious Disease or Bacterial Infection; and Defective Drains and/or Sanitary Arrangements
- Terrorism
- Transmission and Distribution Lines Exclusion
- Seismic Strengthening Endorsement

### ***Deleted Memoranda***

- Terrorism in Australia (Section 1 & 2)

### ***Amended Memoranda***

- Works of Art - Basis of Settlement
- Stock Declaration
- Dependency

### ***Amendments to General Conditions***

- Reinstatement of Amount
- Margins Clause

### ***Additional Exclusion:***

- Downstream Weir Fuse Plugs

### ***Additional Endorsements:***

- Limit of Liability per Kilowatt Hour
- Lead Co Insurance Clause

**Insurer:** QBE Insurance (International) Ltd

**Proportion:** 25%

## Schedule B

**For: Opuha Water Limited**

Property Insured situated as described hereunder and elsewhere as specified and Fees and Expenses stated, the Limits of Liability in the several columns hereof understood to apply respectively to

**Property Insured shall mean:**

**Column 1:** Hydro Dam, Civil Works including all Property, Structures, Earthworks, Raceways owned and/or used by the insured

**Column 2:** Plant, Machinery and All other Real and Personal Property of every kind or description, the Insured's own or held by them jointly or in trust or on commission or for which they are responsible or have assumed responsibility prior to any loss or damage but excluding property covered under Columns 1 hereof and property insofar as it is otherwise specifically insured

DESCRIPTION	COLUMN 1 \$	COLUMN 2 \$	TOTAL PROPERTY INSURED \$	BASIS OF SETTLEMENT
All Works associated with Opuha Dam	51,700,000	8,600,000,	<b>60,300,000</b>	RV
Sutherlands Scheme	870,000		<b>870,000</b>	RV
<b>Total</b>	<b>52,570,000</b>	<b>8,600,000</b>	<b>61,170,000</b>	RV

Basis Of settlement

(RV) Denotes Replacement Value

## **MATERIAL DAMAGE AND BUSINESS INTERRUPTION NON GENERATION ASSETS**

**Insured:** Opuha Water Limited, Sutherlands Irrigation Limited  
and their Subsidiary companies for which they have management control and the Insured's insurable interest in joint ventures that are otherwise not insured, as now or hereafter constituted, formed or acquired

**Period of Insurance:** From: 4.00pm 1 June 2014  
To: 4.00pm 1 June 2015  
and any subsequent Period for which the Insured shall pay or agree to pay and Insurers agree to accept a premium for the renewal of this Policy

**Currency:** All amounts shown are expressed in New Zealand Dollars, unless specified otherwise

**Covering:** **Section One**  
**Total Sum Insured** **\$ 1,304,300**

As set out in Schedule B attaching to this Policy, for all real or personal property, owned or for which the Insured has assumed responsibility to Insure, and for the Limits of Liability set out therein and the following Sub Limits:

Capital Additions	\$	100,000
Electric Current Damage	\$	5,000
Employees & Directors Personal Effects	\$	5,000
Keys & Locks	\$	5,000

Money:

■ Section A	\$	10,000
■ Section B	\$	2,000
Protection Costs	\$	100,000
Spoilage	\$	5,000
Subsidence & Landslip	\$	250,000
Contract Works (Maximum Contract Price)	\$	100,000
Goods in Transit:		
— any one item	\$	7,500
— any one loss	\$	15,000

The Sub Limits stated above are understood to be in excess of the relevant Deductibles

**Section Two - Sum Insured**

Gross Profit		Nil
Additional Expenditure	\$	50,000
Claim Preparation Costs	\$	20,000
<b>Total Sum Insured</b>	<b>\$</b>	<b>70,000</b>

**SubLimits**

Acts of Civil Authorities	10% of BI Sum Insured
Dependency - Non Earthquake	10% of BI Sum Insured
Dependency - Earthquake	10% of BI Sum Insured
	Maximum \$250,000 any one Period of Insurance

The Sub Limits stated above are understood to be in excess of the relevant Deductibles

**Business:** Ownership and operation of the Opuha dam. The Company's principal activities include the co-ordination and supply of water for industrial and domestic consumption, environmental river flows, irrigation supply and electricity generation. Management services for irrigation companies and any other activity connected therewith or any other activity of the Insured with which they may become involved.

**Locations:** Any address noted in Schedule B or other place anywhere in New Zealand

**Site:** Means a parcel of land owned or occupied by the Insured

**Indemnity Period:** 12 months

**Territory:** Anywhere in New Zealand

**Deductibles:** **Section One**  
Each and every loss or series of losses arising from one Event \$ 1,000 other than in respect of the following where the amount will alter to the amount shown

CATEGORY	DEDUCTIBLE \$
Burglary or attempt thereat (Burglary means Theft following forcible or violent entry)	1,000
Theft	2,500
Landslip & Subsidence	5,000

CATEGORY	DEDUCTIBLE \$
Earthquake, volcanic eruption & hydrothermal activity - arising out of any one loss or series of losses arising from one event:	5% of the Section One site value with a minimum of 5,000, applies to the combined Material Damage & Business Interruption loss

**Policy Wording:** MDBI WAP Version 1

**Insurer:** QBE Insurance (International) Limited

**Proportion:** 100%

## Schedule B

**For: Opuha Water Limited, Sutherlands Irrigation Limited**

'Property Insured' means tangible property of every description not expressly excluded, the Insured's own or held by the Insured jointly or in trust or on commission and for which the Insured is responsible or has management control.

ITEM	DESCRIPTION	BUILDINGS \$	PLANT / CONTENTS \$	STOCK \$	TOTAL PROPERTY INSURED \$
<b>OPUHA WATER LIMITED</b>					
1	Office Building Cnr Arowhenua Road, Pleasant Point Highway, South Canterbury	291,693			291,693
	Storage Shed Cnr Arowhenua Road, Pleasant Point Highway, South Canterbury	43,307			43,307
2	Office Equipment & Contents Cnr Arowhenua Road, Pleasant Point Highway, South Canterbury		75,000		75,000
3	General Tools & Equipment Anywhere in New Zealand		60,000		60,000
4	Office Equipment & Contents 6 Sonter Road, Wigram, Christchurch		5,000		5,000
<b>Sub Totals</b>		<b>335,000</b>	<b>140,000</b>	<b>0</b>	<b>475,000</b>
<b>SUTHERLANDS IRRIGATION LIMITED</b>					
1	Power Supply, Switchgear, Controls		189,300		189,300
2	Telemetry		10,000		10,000
3	Pumps & Equipment		515,000		515,000
5	Buildings & Structures - pumphouses	65,000			65,000
6	Misc including professional fees allowance		50,000		50,000
<b>Sub totals</b>		<b>65,000</b>	<b>764,300</b>	<b>0</b>	<b>829,300</b>
<b>Total</b>		<b>400,000</b>	<b>904,300</b>		<b>1,304,300</b>

## MOTOR VEHICLE

**Insured:** Opuha Water Limited and their Subsidiary companies for which they have management control and the Insured's insurable interest in joint ventures that are otherwise not insured, as now or hereafter constituted, formed or acquired

**Period of Insurance:** From: 4.00pm 1 June 2014  
To: 4.00pm 1 June 2015  
Or any other Period for which the Insurer and Insured agree to renew the Policy

**Currency:** All amounts shown are expressed in New Zealand Dollars, unless specified otherwise

**Covering:**

<b>Limits of Liability</b>		
<b>Section 1:</b> Loss of or Damage to the Insured Vehicles		Market Value at the time of the Loss
<b>Section 2:</b> Liability to Third Parties		\$ 10,000,000

### Policy Sub Limits

Additions & Deletions	Limit any one vehicle	\$	300,000
Claim Preparation Costs	Limit any one claim	\$	10,000
Defence Costs	Limit any one claim	\$	5,000
Disability Modifications	Limit any one claim	\$	5,000
Employees Personal Effects	Limit any one claim	\$	2,000
Goods in Transit	Limit any one claim	\$	5,000
Hire of Alternative Vehicle			
Following Theft	Maximum daily limit	\$	100
	Maximum any one claim	\$	2,400
Hoist - Breakdown	Limit any one claim	\$	5,000
Employee Vehicles	Limit any one vehicle	\$	75,000
Hazardous Substances	Limit any one claim	\$	20,000
Load Recovery	Limit any one claim	\$	5,000
Recovery Costs	Limit any one claim	\$	2,000
Rental Vehicles	Limit any one vehicle	\$	150,000
	Consequential loss limit	\$	75,000
Road Clearing Costs	Limit any one claim	\$	20,000
Transport Home	Limit any one claim	\$	10,000
Weight Damage	Limit any one claim	\$	500,000
Tyre Damage	Limit any one tyre	\$	5,000
Sign Writing	Limit any one vehicle	\$	1,000

**Territory:** New Zealand

**Deductibles:** Each and every claim or series of claims arising from one event in respect of Loss to an Insured Vehicle \$ 400

The following provisos shall apply:

1. The Deductible is increased for under aged drivers by:
  - Drivers under age 21 \$ 1,000
  - Drivers aged 21 to 25 \$ 500
2. Damage to a truck and trailer unit is deemed to be one event
3. The Deductible shall not apply to:
  - (a) Loss by fire or conversion of the vehicle
  - (b) Loss by theft
  - (c) Damage to windscreens, window glass
4. Weight Damage \$ 2,000

**Policy Wording:** Vero Businessplan Commercial Motor

**Endorsements:**

**Additions and Deletions**

All Vehicles purchased by the Insured during the Period of Insurance of this Policy shall be considered as being insured from the date of purchase and all Insured Vehicles disposed of shall be considered as being uninsured from the date of disposal. Subject to the limit in the schedule

The premium for all acquisitions and disposals shall be adjusted at the end of each Period of Insurance based on 50% of the difference in value of all acquisitions less disposals charged at the premium rate agreed at the beginning of that Period of Insurance. For declaration purposes the value of an acquired Vehicle shall be its Market Value. For declaration purposes the value of a deleted Insured Vehicle shall be as shown on the current vehicle schedule as supplied by the Insured

**Insurer:** Vero Insurance New Zealand Limited

**Proportion:** 100%

## Opuha Water Limited

### Schedule of Vehicles as at 1 June 2014

ITEM	YEAR	VEHICLE	REGISTRATION NO.	MARKET VALUE \$
1.	1993	Helmark Tandem Trailer	RI742	1,500
2.	2009	Homebuilt Trailer (1360l Tank Trailer)	N342R	6,500
3.	2009	Nissan Navara S/Cab 4X4	EZP701	11,000
4.	2010	Nissan Navara STX 450 4X4	FKW395	28,000
5.	2011	Hyundai Santa Fe	FTK18	35,000
6.	1992	Ford Courier Utility	RM9508	3,000
7.	2012	Mitsubishi Triton GL 4X4 Std Club Cab	GNE805	28,000
8.	2013	Mitsubishi Outlander VRX	HFH777	40,000
<b>Total</b>				<b>153,000</b>

## GENERAL LIABILITY

<b>Insured:</b>	Opuha Water Limited, Opuha Water Partnership, Opuha Dam Limited, Opuha Dam Partnership, Aoraki Dam Limited and/or subsidiary and/or related Corporations and/or financiers and all parties for whom the Insured undertakes to insure for their respective rights, interests and liabilities	
<b>Business:</b>	Ownership and operation of the Opuha dam. The Company's principal activities include the co-ordination and supply of water for industrial and domestic consumption, environmental river flows, irrigation supply and electricity generation. Management services for irrigation companies.	
<b>Period of Insurance:</b>	From: 4.00pm 1 June 2014 To: 4.00pm 1 June 2015 Or any other Period for which the Insurer and Insured agree to renew the Policy	
<b>Territorial Limits:</b>	Occurrences other than Products	Anywhere in the world
	Occurrences during and in connection with the performance of duties of any person normally resident or domiciled in New Zealand, but not while performing duties requiring predominantly manual labour except for the purposes of training or promoting the sale of Products	Anywhere in the world
	Occurrences in connection with Products	Worldwide Excluding USA/Canada

### Limits of Indemnity & Deductibles

<b>General Indemnity:</b>	Indemnity for Damages where no alternative limit or deductible are specified:	
	Limit any one occurrence	\$ 10,000,000
	Deductible	\$ 5,000
<b>Products Liability:</b>	Limit any one occurrence & in the aggregate	\$ 10,000,000
	Deductible	\$ 5,000
<b>Care, Custody or Control Extension:</b>	Limit any one occurrence	\$ 250,000
	Deductible	\$ 5,000

<b>Exemplary Damages Extension:</b>	Limit any one occurrence	\$	1,000,000
	Deductible	\$	5,000
<b>Forest &amp; Rural Fires Act 1977 Extension:</b>	Limit any one occurrence	\$	1,000,000
	Deductible	\$	5,000
<b>Motor Vehicle &amp; Watercraft Service &amp; Repair Extension:</b>	Limit any one occurrence	\$	500,000
	Deductible	\$	5,000
<b>Excess Liability Vehicles:</b>	Limit any one occurrence	\$	1,000,000
	Deductible	\$	5,000

**Endorsements:**

**Professional Advice Total Exclusion**

The Professional Advice exclusion of this Policy is deemed to be deleted and replaced by the following:

Liability resulting from the rendering or failure to render professional advice by the Insured, or for liability resulting from any error or omission in connection with that advice

**Failure to Supply Exclusion**

This Policy does not insure liability in respect of or alleging Personal Injury or Property Damage arising out of the Complete or Partial Failure to Supply any form of energy, including but not limited to, electricity, gas or water.

For the purposes of this Exclusion "Complete or Partial Failure to Supply" means blackouts, brownouts, surges, intermittent or fluctuation in supply.

**EMFs (Electromagnetic Fields) Exclusion**

This Policy does not insure liability in respect of or alleging Personal Injury or Property Damage arising out of any electromagnetic fields (EMFs), electromagnetic radiation (EMR) or any derivation or variation thereof.

**PCBs Exclusion**

This Policy does not insure liability in respect of Polychlorinated Biphenyls (PCBs).

**Policy Wording:** QBE/Willis Combined General Liability Policy - GLWAP V1

**Insurer:** QBE Insurance (International) Limited

**Proportion:** 100%

## DIRECTORS & OFFICERS LIABILITY

<b>Named Insured:</b>	Any past, present and future director, secretary, executive officer, employee or trustee of the Corporation		
<b>Corporation:</b>	Opuha Water Limited, Opuha Water Partnership, Opuha Dam Limited, Opuha Dam Partnership, Aoraki Dam Limited and/or subsidiary and/or related Corporations and/or financiers and all parties for whom the Insured undertakes to insure for their respective rights, interests and liabilities		
<b>Business:</b>	Ownership and operation of the Opuha dam. The Company's principal activities include the co-ordination and supply of water for industrial and domestic consumption, environmental river flows, irrigation supply and electricity generation. Management services for irrigation companies.		
<b>Period of Insurance:</b>	From: 4.00pm 1 June 2014 To: 4.00pm 1 June 2015 Both Local Standard Time at the Insured's head office		
<b>Currency:</b>	All amounts shown are expressed in New Zealand Dollars, unless specified otherwise		
<b>Limit of Liability:</b>	Any one claim and in the aggregate	\$	5,000,000
<b>Deductible:</b>	<b>Section 1: Directors &amp; Officers</b>		Nil
	<b>Section 2: Company Reimbursement</b>		
	Each and every claim or series of claims arising from the one event including costs	\$	10,000
<b>Retroactive Date:</b>	Unlimited, excluding known claims or circumstances		
<b>Territorial Limits:</b>	Worldwide		
<b>Jurisdiction:</b>	Worldwide		

**Extensions:** Emergency Defence Costs and Investigation Costs  
Exposure Change Run-Off  
Extended Reporting Period  
Health and Safety Defence Costs  
Management Buy-outs  
Non-Executive Directors Court Costs  
Outside Directorships  
Tax Liability  
Trustees Liability

**Endorsements:** **Total Shareholder Exclusion**  
QBE shall not be liable in respect of any Claim brought by or on behalf of any past or present shareholder, stockholder or unit-holder who had or has direct or indirect ownership of or control over any of the shares of the Company.

**Failure to Supply Exclusion**  
QBE shall not be liable in respect of any Claim alleging, in respect of, caused by or contributed to by, the Complete or Partial Failure to Supply any form of energy including but not limited to electricity, gas or water.  
For the purposes of this Exclusion "Complete or Partial Failure to Supply" means blackouts, brownouts, surges, intermittent or fluctuation in supply.

**Shareholder Support / Withdrawal of Funds**  
It is warranted that there is no withdrawal of funds or financial support by shareholders and/or parent company that will affect the ability of the Company to meet their financial obligations as and when they fall due, and that shareholders and/or parent company continue to provide support to enable the Company to meet their financial obligations on an ongoing basis.

**Prospectus Liability Extension**

QBE agrees to provide coverage in respect of any Claim made against a Director or Officer where such Claim arises out of or is attributable to:

- (a) any offer, invitation, sale or issue of any securities or any right to any securities of the Corporation or
- (b) the issue of any prospectus or information memorandum by the Corporation in relation to:
  - (i) any securities or right to any securities of the Corporation; or
  - (ii) the divestment of the business or part of the business of the Corporation;  
or
- (c) any share buy-back or the repurchase or offer to repurchase any securities or rights to any securities of the Corporation; or
- (d) any act, error, omission, misstatement, misleading statement, neglect, breach of duty, or breach of trust in relation to (a), (b) or (c) above;

(e) coverage under this extension shall be limited to the SCFIS Limited Investment Statement and Prospectus for Merger Proposal

**Policy Wording:** QBE Directors Liability Policy Wording DOL1013

**Insurer:** QBE Insurance (International) Limited

**Proportion:** 100%

## DIRECTORS LIABILITY DEFENCE COSTS

<b>Named Insured:</b>	Any past, present and future director, secretary, executive officer, employee or trustee of the Corporation	
<b>Corporation:</b>	Opuha Water Limited, Opuha Water Partnership, Opuha Dam Limited, Opuha Dam Partnership, Aoraki Dam Limited and/or subsidiary and/or related Corporations and/or financiers and all parties for whom the Insured undertakes to insure for their respective rights, interests and liabilities	
<b>Business:</b>	Ownership and operation of the Opuha dam. The Company's principal activities include the co-ordination and supply of water for industrial and domestic consumption, environmental river flows, irrigation supply and electricity generation. Management services for irrigation companies.	
<b>Period of Insurance:</b>	From: 4.00pm 1 June 2014 To: 4.00pm 1 June 2015 Both Local Standard Time at the Insured's head office	
<b>Currency:</b>	All amounts shown are expressed in New Zealand Dollars, unless specified otherwise	
<b>Limit of Liability:</b>	Any one claim and in the annual aggregate	\$5,000,000
<b>Underlying Policies:</b>	Directors & Officers Liability	
<b>Endorsements:</b>	<p><b>Total Shareholder Exclusion</b> QBE shall not be liable in respect of any Claim brought by or on behalf of any past or present shareholder, stockholder or unit-holder who had or has direct or indirect ownership of or control over any of the shares of the Company.</p> <p><b>Failure to Supply Exclusion</b> QBE shall not be liable in respect of any Claim alleging, in respect of, caused by or contributed to by, the Complete or Partial Failure to Supply any form of energy including but not limited to electricity, gas or water. For the purposes of this Exclusion "Complete or Partial Failure to Supply" means blackouts, brownouts, surges, intermittent or fluctuation in supply.</p> <p><b>Shareholder Support / Withdrawal of Funds</b> It is warranted that there is no withdrawal of funds or financial support by shareholders and/or parent company that will affect the ability of the Company to meet their financial obligations as and when they fall due, and that shareholders and/or parent company continue to provide support to enable the Company to meet their financial obligations on an ongoing basis.</p>	

### **Prospectus Liability Extension**

QBE agrees to provide coverage in respect of any Claim made against a Director or Officer where such Claim arises out of or is attributable to:

- (a) any offer, invitation, sale or issue of any securities or any right to any securities of the Corporation or
- (b) the issue of any prospectus or information memorandum by the Corporation in relation to:
  - (i) any securities or right to any securities of the Corporation; or
  - (ii) the divestment of the business or part of the business of the Corporation;  
or
- (c) any share buy-back or the repurchase or offer to repurchase any securities or rights to any securities of the Corporation; or
- (d) any act, error, omission, misstatement, misleading statement, neglect, breach of duty, or breach of trust in relation to (a), (b) or (c) above;
- (e) coverage under this extension shall be limited to the SCFIS Limited Investment Statement and Prospectus for Merger Proposal

<b>Policy Wording:</b>	QBE Directors Liability Defence Costs Policy - DDC1013
<b>Insurer:</b>	QBE Insurance (International) Limited
<b>Proportion:</b>	100%

## STATUTORY LIABILITY

<b>Insured:</b>	Opuha Water Limited, Opuha Water Partnership, Opuha Dam Limited, Opuha Dam Partnership, Aoraki Dam Limited and/or subsidiary and/or related Corporations and/or financiers and all parties for whom the Insured undertakes to insure for their respective rights, interests and liabilities		
<b>Business:</b>	Ownership and operation of the Opuha dam. The Company's principal activities include the co-ordination and supply of water for industrial and domestic consumption, environmental river flows, irrigation supply and electricity generation. Management services for irrigation companies		
<b>Period of Insurance:</b>	From: 4.00pm 1 June 2014 To: 4.00pm 1 June 2015 Both Local Standard Time at the Insured's head office		
<b>Currency:</b>	All amounts shown are expressed in New Zealand Dollars, unless specified otherwise		
<b>Limit of Liability:</b>	Any one claim and in the annual aggregate inclusive of costs and expenses + GST	\$	1,000,000
<b>Deductible:</b>	Each and every claim inclusive of legal costs and expenses	\$	5,000
<b>Retroactive Date:</b>	Unlimited		
<b>Automatic Extensions:</b>	Consolidation or Merger Newly Created or Acquired Subsidiary Company Extended reporting period		
<b>Territorial Limits:</b>	New Zealand		
<b>Jurisdictional Limits:</b>	New Zealand		
<b>Endorsements:</b>	<b>Defence Costs Endorsement (STL0110)</b>  The following is added to Insuring Clause 2. Limits of Indemnity:  2.3 In addition to 2.1 and 2.2, QBE shall pay Defence Costs, up to the Limit of Indemnity or NZD1,000,000, whichever is the lesser.		

**Policy Wording:** QBE Statutory Liability Policy Wording STL0110

**Insurer:** QBE Insurance (International) Limited

**Proportion:** 100%

## EMPLOYERS LIABILITY

<b>Insured:</b>	Opuha Water Limited, Opuha Water Partnership, Opuha Dam Limited, Opuha Dam Partnership, Aoraki Dam Limited and/or subsidiary and/or related Corporations and/or financiers and all parties for whom the Insured undertakes to insure for their respective rights, interests and liabilities	
<b>Business:</b>	Ownership and operation of the Opuha dam. The Company's principal activities include the co-ordination and supply of water for industrial and domestic consumption, environmental river flows, irrigation supply and electricity generation. Management services for irrigation companies	
<b>Period of Insurance:</b>	From: 4.00pm 1 June 2014 To: 4.00pm 1 June 2015 Both Local Standard Time at the Insured's head office	
<b>Currency:</b>	All amounts shown are expressed in New Zealand Dollars, unless specified otherwise	
<b>Limit of Liability:</b>	Any one claim and in the aggregate including costs and expenses	\$ 1,000,000
<b>Deductible:</b>	Each and every claim or series of claims arising from the one event including costs and expenses	\$ 5,000
<b>Retroactive Date:</b>	Unlimited	
<b>Territorial Limits:</b>	New Zealand	
<b>Jurisdictional Limits:</b>	New Zealand	

**Endorsements:**

**Legal Costs and Expenses Endorsement:**

Operative Clauses 2. and 3. are deleted

The following is added to Limits of Indemnity

3. In addition to 1 and 2, QBE shall pay Legal Costs and Expenses incurred with the written consent of QBE in the defence or settlement of any Claim, up to the Limit of Indemnity or NZD1,000,000, whichever is the lesser.

Definition 6. "Legal Costs and Expenses" is deleted and replaced with:  
The Legal Costs and Expenses and/or defence witness costs and expenses and/or defence expert costs and expenses incurred in investigating and/or defending any Claim; including Legal Costs and Expenses incurred where, in respect of a Claim, the Insured makes an application to the Court to determine whether the Personal Injury is properly the subject of cover pursuant to the Accident Rehabilitation and Compensation Insurance Act 1992 or the Accident Insurance Act 1998 or any amending or replacement legislation.

**Policy Wording:**

ELC0110

**Insurer:**

QBE Insurance (International) Limited

**Proportion:**

100%



# **SECTION 6**

# **REMUNERATION**

## OUR REMUNERATION

Our professional relationship with you must include financial arrangements, which are open and satisfactory to both parties. You must feel that you are receiving quality advice, service and access to resources commensurate with the remuneration paid.

The level of remuneration must reflect the future structure of the combined insurance programme. It provides for the considerable knowledge and value that we bring to the table and the work that comes with the setting up and maintenance of a complex insurance programme.

We propose a non-refundable fee of \$50,000, plus GST. All premiums will be charged on a net basis and we will not earn brokerage on the placement of your insurance programme from any of your Insurers.

For the Hydro Policy, Willis London will earn brokerage paid by insurers out of the premium payable to them on the placement of the policies listed above. There is no brokerage payable on any of the taxes or statutory charges that form part of the total due amount shown on your tax invoices, (usually referred to as Fire Service Levy, EQC and GST). These taxes and statutory charges are always shown separately on each tax invoice you receive from us, and are paid to the statutory authorities concerned either directly by Willis or via the Insurers.

The following services or charges are not included in the remuneration outlined above and are subject to separate negotiation and agreement:

- Services from our Willis Risk Consulting Practice
- Services from our Employee Benefits Practice
- Any other service which is not covered under our agreed Willis Client Service Plan
- Reasonable reimbursement disbursements such as travel and accommodation
- Premium Instalment Contracts
- One-off projects (e.g. construction) or acquisitions.

The work undertaken comprises the following:

- Negotiation with insurers for renewal of your insurance programme
- Confirmation of (percentage) 100% placement of your insurance programme
- Processing of premium invoices and payment of premiums, duties and levies in respect of insurance covers placed by Willis New Zealand Ltd on your instructions. This includes the allocation of premiums to each division
- Drafting and negotiation of policy wordings for various classes of insurance
- Insurance Risk Quotations for risk exposures
- Providing an on-going review of your risk exposures both insured and self-insured
- Issue of a comprehensive insurance manual summarising covers provided, claims reporting procedures and agreed self-insured exposures
- Meetings as per service programme with updated status reports to review all outstanding issues, claims statistics, broker and insurer performance
- Provision of regular technical and general newsletters updating you on changes in legislation, market conditions and other exposures
- Collation, recording, negotiation and settlement of routine claims
- Provision of insurance certificates of currency as/when required
- On-going maintenance of the insurance programme, alterations to cover, policy limits and values
- Issuing of policy documents from all insurers on all classes of insurance

- Collation of information for the 2014 / 2015 renewal and negotiation with insurers
- Preparation of a renewal report detailing the result of our negotiations
- All other services as per our Service Agreement



# **APPENDIX A**

# **MARKET COMMENTARY**

# PROPERTY INSURANCE MARKET UPDATE - FEBRUARY 2014

## Introduction

Welcome to 2014 and what is shaping up to be an eventful year for our clients across New Zealand. With positive signs of an improving economy, backed up by early investor and consumer optimism, we can be confident that 2014 will be a dynamic year for New Zealand business in both the private and public sectors. Add to this an election year with wide ranging socio-political topics from asset sales to offshore oil and gas exploration and New Zealand stands to experience a complex but exciting 12 months that will affect our clients, their businesses and the general insurance landscape in 2014.

New Zealand (property) insurers were displaying an improved level of appetite by the end of 2013, primarily due to greater understanding of their aggregated exposure from a portfolio perspective and a reliance on key underwriting measures introduced to manage their seismic exposures across both the North and South Islands.

Technical insurance pricing increased sharply following 2010 as a direct result of increased reinsurance costs, however by midway 2013 there was a selective return to competitive conditions whereby a number of insurers began to target large, well risk engineered risks and take a more commercial approach to underwriting them in order to secure an appointment.

With the right market strategy, backed up with quality risk information brokers were able to negotiate 2.5% - 5% premium reductions for general property programmes. Towards the end of 2013 larger premium reductions were achieved in isolated cases as insurers took advantage of their improving reinsurance conditions.

In addition to what we experienced in 2013, there has been a number of well publicised factors that have taken place in the local and global (re)insurance markets that impact our forecast on the first two quarters of 2014. To name a few:

- In 2013 total insured losses were approximately half of what was experienced in 2012
- The growing global reinsurance capacity
- Significant storm losses in New Zealand during 2013
- The potential sale of Lumley General to IAG (NZI)

From a global natural catastrophe perspective, 2013 provided the lowest count of Atlantic Windstorms since 1982. The Atlantic windstorm season is (typically) the primary contributor to annual insured losses and 'quiet' years such as 2013 only add to the oversupply of reinsurance capacity available that continues to provide further downward pressure on premiums.

Closer to home, 2013 delivered local New Zealand insurers their worst ever year of weather related insured losses. In addition, the sale of Lumley General Insurance Limited to Insurance Australia Group (IAG), which is currently undergoing regulatory approval, could result in one less New Zealand property insurer transacting in what is already a small local insurance marketplace. Is the loss of Lumley as a long-term insurer, with a well-established property insurance portfolio, enough to slow down the perceived trend toward softening market conditions in New Zealand?

What this all means and how it dovetails is explained in more depth in this insurance market update, with input from our Auckland, Wellington and Christchurch offices, in addition to our regional and London placement teams.

## New Zealand Market

The New Zealand insurance market stabilised in the early stages of 2013. Towards the end of the year a number of large, well risk engineered, corporate property programmes enjoyed improvements on their annual property insurance premium spend, in some examples reductions of up to 10%+ on the previous year' premium were generated. This was generated via a combination of favourable reinsurance renewals, a slightly relaxed stance on premium pricing in less active seismic zones and increased pressure on insurers to meet budgetary requirements.

This shift in attitude generated a fair amount of discussion around the reintroduction of the market 'cycle' and a return to soft market conditions. The reality is that insurers remain selective on the risks they will compete and there is not uniform or significant softening in the market ...yet.

There is no doubt that the abundance in global reinsurance capacity is having a trickle-down effect to the local New Zealand insurance market. While we expect insurers to negotiate favourable reinsurance pricing this year we do not forecast wholesale relaxation of rating structures for assets situated in the likes of Canterbury, Wellington and neighbouring regions in 2014.

With regard to Canterbury will not see earthquake rate reductions as the exposure to earthquake losses is still very real and has been well documented by the global insurance market since 2010. Saying that, it is unlikely the market will enforce further rate increases in 2014. An exception should be noted for new builds to at least 100% of the seismic earthquake code - some insurers will offer small earthquake premium reductions due to the improvements in the standard of earthquake risk mitigating techniques used in new construction process.

New Zealand experienced its worst storm related experience in 2013, topping NZD175m in insured losses. Again it was the Canterbury region that suffered the majority of these losses, hitting those insurers who have continued to support the region since the Earthquakes.

The Earthquakes that hit Wellington and central New Zealand during 2013 did not cause significant insured losses to corporate insurers. Subsequently we have not seen any further restriction in the insurance capacity that is able to be deployed to that region. For stand-alone property risks in Wellington, there has been a cautious return to insuring buildings built after 1950. Insurers however continue to dictate terms for buildings built prior to 1950 and where the percentage of the New Building Standard (NBS) is low (33% - 67%) and/or geotechnical conditions are poor. It is anticipated that options available will increase for stand-alone Wellington risks in 2014 as the local insurance market re-opens to the prospect of insuring 'newer' Wellington based assets. Over the course of the first two quarters of 2014 we expect that conditions will gradually improve and, combined with an increase in marketing activity, will generate some downturn in Wellington earthquake rates for certain asset types.

The Lumley purchase is part of a wider acquisition by IAG of the insurance underwriting companies of Wesfarmers for NZD1.95 billion. The purchase remains subject to approvals from the Reserve Bank, Commerce Commission and Overseas Investment Office, due to take place and conclude before the end of the 2nd quarter, 2014.

In New Zealand the NZD400M Lumley business will be absorbed into the existing IAG brand of NZI meaning one less Property Insurer in what is already a small property marketplace in New Zealand. Whilst Lumley held less than 10% of the total market share they had built up a reputable book of both SME and Corporate property business and are useful when competing with larger insurers in New Zealand.

The loss of Lumley will create unique market conditions of its own as insurers seek to obtain their share of the capacity that will inevitably come back into the market - in conjunction with the other market forces at play this may assist in slowing the market cycle.

## Global

### London

London based insurers continue to display an appetite for underwriting large New Zealand based property insurance programmes. Their approach to underwriting natural catastrophe risk exposures is still some way behind the local insurance market and they continue to look to the local market for rating/premium for guidance on seismically exposed assets.

Pricing aside, there are coverage benefits available in the London insurance market that are not afforded by local insurers, such as;

- Ability to negotiate dollar value natural disaster deductibles as opposed to percentage of site (as is now standard in New Zealand)
- London's lack of penalty rating for pre-1945 buildings / low NBS ratings and no Site Definition
- Less punitive (if any) reinstatement provisions

A blend of local and international insurance capacity combined with the right insurance programme structure for clients within London's appetite continues to generate leverage through competitive tension and assists the negotiation of a more robust and economic solution for Willis customers. There is an abundance of capacity available in the general property insurance market in London and the specialist property markets such as the Power and Energy markets continue to improve after a number of challenging years pre-2013.

### Australia/Singapore

Australia has struggled with its own large scale loss events over recent years.

As a capacity provider, Australian domiciled insurers take a mixed view of New Zealand risks. Some Insurers actively engage Willis New Zealand to lead an insurance programme, however the majority prefer to maintain a 'follow' position behind a defined, New Zealand based lead or primary layer insurer. This is primarily due to the perception surrounding New Zealand's seismic exposure.

Singapore remains a specialty market for New Zealand based property assets and has developed a strong Energy Insurance marketplace.

## Reinsurance Market

Globally, reinsurers continue to face reducing rating levels due to:

- New market entrants and newly introduced capacity
- Low interest rates
- Improvement to insurers underwriting results and a tendency to take more exposure to their balance sheet as opposed to transferring to the facultative reinsurance market
- Diminishing reserve releases
- Increasing regulatory oversight

2013's underwriting performance was dominated by a lack of large-scale natural and/or man-made catastrophes, the key ingredient required to increase reinsurance rates in an attempt to counter the rate reducing factors mentioned above.

The 2013 hurricane season, which officially ended on 30 November 2013 had the fewest number of hurricanes since 1982, thanks in large part to persistent, unfavorable atmospheric conditions over the Gulf of Mexico, Caribbean Sea, and tropical Atlantic Ocean. 2013 has ranked as the sixth-least-active Atlantic hurricane season since 1950, in terms of the collective strength and duration of named storms and hurricanes.

In 2013 total insured losses were approximately half of what was experienced in 2012.

Loss Events 2012 vs 2013	2013	2012	Average (Last 10 years)	Average (Last 30 Years)
<b>Number of Events</b>	880	920	790	630
<b>Overall Losses (US\$ m)</b>	125,000	173,000	184,000	128,000
<b>Insured Losses (US\$ m)</b>	31,000	65,000	56,000	32,000
<b>Fatalities</b>	20,000	10,000	106,000	56,000

A number of New Zealand based insurers renew their treaty reinsurance policies with effect 01 January on an annual basis. The results of these reinsurance negotiations will become clear over the next couple of months and will provide a strong barometer of insurer underwriting appetite in 2014.

## Summary

Clearly 2014 will be a dynamic year from an insurance perspective - it is imperative however businesses understand that this is not a wholesale return to soft market conditions at this stage.

A clear approach to Risk Management and loss mitigation will see improved insurance results for New Zealand businesses in 2014 both from an operational perspective and, in the short to medium term, their total cost of insurable risk.

The large capacity providers in New Zealand will continue to take a selective approach to underwriting and competing for property insurance business.

In conclusion we expect to see;

- The local and global insurance markets play down their financial performance in 2013 and seek to hold rates where possible to compensate for poor historic underwriting results;
- Local insurers will resist passing across the board savings due to significant historical losses from the Christchurch earthquakes;
- A continued greater disparity of earthquake rates between areas that are considered to be low risk compared to those areas in high seismic regions;
- A continued push to attract high-quality risk managed accounts in an effort to meet budgetary requirements and improve portfolio risk

As always this report is intended to give a general overview of the property insurance market and should be used in conjunction with and in consideration of your unique risk profile(s), in order to develop and support our renewal strategy.



# **APPENDIX B**

# **MAJOR UNINSURED RISKS**

## MAJOR UNINSURED RISKS

Risk retention may occur in many ways, for example:

- By under-insurance (e.g. if your sums insured or declared insurable values are inadequate, and Co-Insurance/Average provisions are applied to losses, you are treated as part-Insurer for all such losses).
- By inadequate loss limits (e.g. if your Public Liability limit is insufficient, you are your own Insurer for the excess, plus a proportionate share of any legal fees).
- By non-insurance (e.g. if you elect not to insure a risk like “Motor Vehicle - Own Damage” you must stand all such losses yourselves).
- A self-assumed irremovable Deductible or Excess under a policy.

Our concern rests not so much in the fact that you may retain certain insurable risks, but that you may do so without fully recognising the fact, and without making a conscious decision to do so. Such conscious decisions should be reviewed from time to time in the light of changing circumstances. A potential problem area could arise from a series of losses, each subject to a heavy deductible.

A further concern is the possibility of the aggregation of self-insured risks, which in the event of one incident giving rise to a variety of losses, could lead to a combined loss figure well above the acceptable level of retention (e.g., a fire or explosion at a major location could involve building, plant and stock damage, business interruption, parked trucks and their loads, not to mention legal liability for injured workers and third parties property or injury).

With this in mind, we have indicated below on the next page a number of risks that you do not insure at present.

We would emphasise that no list of uninsured risks can ever be exhaustive, but we have aimed to highlight the more significant omissions from your current Insurance Programme. As any business is susceptible to change, we recommend these areas be reviewed regularly to ensure that you are still comfortable with the limited scope of your existing range of policies and insurance coverage.

<b>PROPERTY</b>	
<b>Aviation</b>	Cover on hulls and equipment, ground based facilities and equipment. May include specialised liabilities, loss of pilots licence, chemical liability.
<b>Boiler/Pressure Vessel</b>	Explosion or collapse of vessels under steam or fluid pressure and business interruption losses following (refer also Machinery Breakdown/Consequential Loss).
<b>Capital Additions</b>	Covers alternation, addition (including additional building) and improvements to property insured, in excess of the cover currently provided under the Material Damage policy.
<b>Civil Engineering</b>	Specialised protection for civil works including dams and reservoirs.
<b>Computer Breakdown</b>	Covers internal physical damage to a computer/computer system, data restoration and extra expenses (including claims preparation costs) as a result of the loss.
<b>Consignment Stock</b>	Covers stock whilst on consignment in third party premises.
<b>Contract Works</b>	Covers loss, destruction of or damage to contract works and all materials occurring during the construction period, in excess of the cover currently provided under the Material Damage policy.
<b>Earthquake (Cook Islands locations only)</b>	Covers loss of or damage to insured property caused by earthquake (including tsunami), volcanic eruption or hydrothermal activity.
<b>Frozen Goods</b>	Deterioration following stoppage of refrigeration equipment for chilled or frozen goods.
<b>Machinery Breakdown</b>	Costs of repair, replacement following actual breakdown or derangement.
<b>Manufacturer's Output/Seller's Contingency</b>	Covers loss and/or damage to stock from purchase as raw materials through manufacture and transit/shipment to final destination. Seller's Contingency protects exporters when goods are destroyed or damaged as a result of the buyer not paying for the goods.
<b>Motor Vehicle - Insured Fleet/Leased &amp; Hired Rentals</b>	Can take several forms such as comprehensive, third party only, and can provide cover for hired or leased vehicles.
<b>Political Risk (Sabotage &amp; Terrorism)</b>	Particularly for assets located overseas, protecting a range of exposures for which traditional insurance protection is inadequate. Includes mutiny, insurrection, rebellion, revolution, war, civil war and expenses for evacuation and loss of income.
<b>Product Contamination/ Tamper</b>	Costs, expenses and loss or income following extortion demands, product tamper, tamper-threat or accidental contamination.
<b>Transit Risks</b>	Covers property in transit away from insured premises if not otherwise insured.

<b>BUSINESS INTERRUPTION</b>	
<b>Advance Profits</b>	Loss of Advance Profits - Loss of anticipated income/turnover from a venture, process, expansion or construction programme where loss or damage delays or prevents the commencement of the undertaking.
<b>Claims Preparation Costs</b>	Covers reasonable costs incurred in the preparation and presentation of a claim.
<b>Machinery Consequential Loss</b>	In respect of financial losses and extra costs following breakdown or derangement.
<b>Rents Receivable</b>	Covers loss of rent, management fees and additional expenditure.
<b>Rewriting of Records</b>	Covers additional incurred to recreate record lost or damaged as a result of an insured peril.
<b>Suppliers/Customers</b>	Provides limited cover for business interruption following loss of or damage to third party premises.
<b>Wages and Salaries (Payroll)</b>	Covers wages and salaries insured under business interruption separate from gross profit insured.

<b>FINANCIAL</b>	
<b>Accounts Receivable</b>	Loss of income (and extra collection costs) following damage to or destruction of debtors records.
<b>Banker's Blanket Bond</b>	Package product incorporating various insurance products relevant to the banking and finance industries.
<b>Bonds and Guarantees</b>	Protection for financial penalties arising from contractual undertakings.
<b>Contract Bonds</b>	To meet the terms of an undertaking for performance or payment which would otherwise require a cash deposit or payment in advance.
<b>Contract Penalties/ Liquidated Damages</b>	Covers penalties under contract for the delay in completion of a contract on schedule.
<b>Credit</b>	Protection for financial loss arising from both local and export sales following default and in the case of export, political risks.
<b>Extended Warranty</b>	Provides protection for breakdowns and defects that arise after the expiry of a manufacturer's warranty period.
<b>Fidelity Guarantee / Crime</b>	Covering financial loss directly resulting from the dishonest act or acts of employees or third parties.
<b>Mortgage and Lease Guarantee</b>	Covers financial loss as a result of default by the borrower.
<b>Purchaser Default</b>	Covering the financial Loss arising on the default of a Purchaser in the non-completion of a Sale & Purchase Agreement.

<b>LIABILITIES</b>	
<b>Aviation</b>	Additional to Property insurance. May include specialised liabilities, loss of pilot's license, chemical liability.
<b>Bailees Liability</b>	In respect of property held under bailment, or in your custody and/or control.
<b>Carriers Liability</b>	For liabilities under legislation.
<b>Charterers Liability (Aviation/Marine Hull)</b>	Protection tailored to meet the conditions of a Marine or Aviation Charterers Agreement for hull and/or liabilities.
<b>Container Liability</b>	Covers contractual liability for loss of or damage to a hired or leased container and additional costs incurred.
<b>Contractual Liability</b>	In respect of specific Contractual Agreements.
<b>Cyber Risk</b>	Liability potentially arising from the use of email, internet, intranet, your website and any business transacted via these mediums.
<b>Employment Disputes</b>	Covers damages and defence costs for personal grievance claims that could include unfair treatment, wrongful dismissal, defamation, etc.
<b>Family Asset Protection</b>	Covers the personal wealth of the partners of a firm in the event that a professional indemnity claim exceeds the professional indemnity policy's limit of indemnity.
<b>Environmental Impairment</b>	Specialised protection not otherwise available under the General Liability insurance for environmental or impairment risks.
<b>Libel &amp; Slander/Defamation</b>	Legal liability for injury to reputation, goodwill, professional, trade, business or credit of third parties in consequence of defamation, libel and slander.
<b>Machinery Liabilities</b>	May be insured separately or as part of General Public Liability.
<b>Marine</b>	Marine Liabilities; arising from ownership or activities which might generate exposure to costs and expenses.
<b>Port Operator's Liability</b>	Arising from the activities in connection with Port operations and/or associated activities for legal liability to compensate third parties arising out of negligent acts resulting in loss of or damage to third party property and/or bodily injury.
<b>Professional Indemnity</b>	Covers legal liability to compensate third parties for loss sustained by them arising out of negligent acts, errors or omissions or civil liability on the part of the Insured in the conduct of their business.
<b>Prospectus Liability</b>	Cover for a company, its directors and senior officers for liabilities arising from the issue of a prospectus.
<b>Protection &amp; Indemnity</b>	Covers liability to third parties arising out of the ownership operation/use or otherwise of watercraft/vessels, including provision for wreck removal costs.
<b>Ship Repairer's Liability</b>	An extension providing cover for damage to property worked upon and arising from the work itself.
<b>Service and Repair Liability</b>	Covering loss or damage to customer's ships and cargo, port and third party plant and equipment. Includes extra costs for some Errors & Omissions.

<b>Stevedores Liability</b>	Covering liability for loss or damage to customer's ships, and some third party property, during repair and maintenance.
<b>Trustees Liability</b>	Covers trustees and trust managers for fiduciary legal liability to compensate third parties (including legal costs incurred) arising out of the negligent administration of the trust or fund.

<b>MARINE</b>	
<b>Cargo</b>	Cover in respect of imports or exports, local sendings within the insured's own country and storage (storage limited to specified time limit within the Marine Cargo policy).
<b>Charterers Liability (Aviation/Marine Hull)</b>	Protection tailored to meet the conditions of a Marine or Aviation Charterers Agreement for hull and/or liabilities.
<b>General Liabilities</b>	Arising from ownership or activities which might generate exposure to costs and expenses.
<b>Hull</b>	In respect of vessels including all machinery connected therewith.
<b>Overseas to Overseas</b>	Cargo which does not originate from or arrive in New Zealand requires special insurance protection.
<b>Pleasurecraft</b>	Cover for the craft itself, accessories and Third Party liability.
<b>Wreck Removal</b>	For costs incurred directly in maritime removal of wreck under statutory duty/requirements.

<b>PEOPLE RISKS AND EMPLOYEE BENEFITS</b>	
<b>People Risks</b>	
<b>Key Person Cover</b>	Key Person insurance provides cover for the costs to the business in the event of death or disability of key persons, including the recovery of lost profits, costs of hiring temporary staff, recruitment costs and other financial impacts on the business.
<b>Shareholder Protection</b>	Shareholder Protection provides funds for the surviving shareholders to purchase the shares of a fellow shareholder who dies or suffers total permanent disablement.
<b>Employee Benefits</b>	
<b>Expatriate Medical</b>	Covers Medical and Emergency Expenses (including Medevac) to foreign nationals who are on a long term secondment overseas.
<b>Group Life, Trauma and Income Protection</b>	Group Life, Trauma and Income Protection policies enable employees to be provided with insurance protection under policies with discounted wholesale premium rates and with special health evidence concessions.
<b>Medical Benefits</b>	Medical Benefits can be insured on a group basis with discounted premium rates and special existing conditions cover.
<b>Personal Accident</b>	Individual or Group cover providing tailored lump sum and weekly benefits (for limited benefits).
<b>Superannuation &amp; KiwiSaver</b>	Superannuation and KiwiSaver plans enable employees to make long term retirement savings. There is a statutory requirement on employers to contribute towards KiwiSaver plans where employees elect to join.

<b>SUNDRY</b>	
<b>Bloodstock and Livestock</b>	Cover for animals for risks of death by accident, sickness or disease.
<b>Breach of Copyright</b>	Infringement of industrial, property or intellectual rights.
<b>Cancellation/Non-Appearance/Abandonment</b>	For Costs already incurred or committed.
<b>Maintenance Period</b>	Cover for various responsibilities of the Contractor after leaving the site of a construction project.
<b>Crop</b>	Covers loss damage or destruction to crops from an insured peril.
<b>Data Insurance</b>	Provides an individual insurance policy against critical data loss. It insures data by paying for required data restoration and technical help and indemnifies in the unlikely event of data loss.
<b>Domestic Dwelling and Contents</b>	Covers domestic dwelling and contents against fire and other perils including theft, personal liability and earthquake.
<b>Extortion/Kidnap &amp; Ransom</b>	Providing for ransom following kidnap, or extortion monies following product tamper; can include security analysis, negotiation facilities and legal costs and other expenses.
<b>Finite Risk Insurance</b>	Specialised insurance / reinsurance / investment programmes to complement traditional insurance arrangements; particularly in high-risk/low frequency exposures.
<b>Forest (Standing Timber)</b>	Covers loss damage or destruction of standing timber from an insured peril.
<b>Forged Share Transfer</b>	Indemnity for the issuing Company and/or Share Registrar for losses arising from forged documents. May extend to include dividend payments by forged warrants.
<b>Legal Expenses</b>	Legal expenses, awards and witnesses allowances for pursuit of defence of various legal proceedings, including; agreements, employment, insurance, legislative, criminal.
<b>Pluvius</b>	Agreed benefits following occurrence of rain.
<b>Products Guarantee</b>	For costs arising from failure to perform as undertaken or intended.
<b>Products Recall</b>	Cost and expenses for recall of faulty products.
<b>Surety &amp; Guarantee</b>	Guidance and assistance for international procurement of bonds and financial instruments.
<b>Travel Insurance</b>	Covers baggage, overseas medical expenses, money, personal accident benefits, loss of deposits and other contingencies appropriate for insured persons whilst travelling on the business of the Insured.
<b>Workplace Violence</b>	Providing cover for loss of business income and a range of security and personnel expenses following any actual or threatened act of violence in the workplace.



# **APPENDIX C INSURANCE COMPANY FINANCIAL STRENGTH RATINGS**

## INSURANCE COMPANY FINANCIAL STRENGTH RATINGS

The Insurance (Prudential Supervision) Act 2010 requires all licensed New Zealand insurers to provide you with a Financial Strength rating before entering into or renewing a contract of insurance.

Insurers in New Zealand are required to be rated by one of the Rating Agencies approved by the Reserve Bank of New Zealand.

Approved Rating Agencies and their scales of possible ratings are also shown below. These ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within major rating categories.

<b>Standard &amp; Poor's:</b>	AAA	Extremely Strong	BBB+	Good	CCC+	Very Weak
	AA+	Very Strong	BBB	Good	CCC	Very Weak
	AA	Very Strong	BBB-	Good	CCC-	Very Weak
	AA-	Very Strong	BB+	Marginal	CC	Extremely Weak
	A+	Strong	BB	Marginal	R	Regulatory Action
	A	Strong	BB-	Marginal	W	Rating Withdrawn
	A-	Strong	B+	Weak	NR	Not Rated
			B	Weak		
			B-	Weak		
<b>A.M. Best Company:</b>	A++	Superior	B	Fair	E	Under Regulatory Supervision
	A+	Superior	B-	Fair	F	In Liquidation
	A	Excellent	C++	Marginal	FPR	Strong
	A-	Excellent	C+	Marginal	NR3	Rating Procedure Inapplicable
	B++	Very Good	C	Weak	NR4	Not Rated - Company Request
	B+	Very Good	C-	Weak	NR5	Not formally followed
			D	Poor		
<b>Fitch:</b>	AAA	Extremely Strong	BBB+	Good	CCC	Very Weak
	AA+	Very Strong	BBB	Good	CC	Very Weak
	AA	Very Strong	BBB-	Good	C	Very Weak
	AA-	Very Strong	BB+	Moderately Weak	DDD	Distressed
	A+	Strong	BB	Moderately Weak	DD	Distressed
	A	Strong	BB-	Moderately Weak	D	Distressed
	A-	Strong	B+	Weak		
		B	Weak			
		B-	Weak			

### YOUR INSURERS RATINGS

#### Various, via Lloyds of London

Rating:	A+
Rating Agency:	Standard and Poor's
Approval Date:	As at 11/2012

#### Vero Insurance New Zealand Limited

A+
Standard and Poor's
As at 24/01/2013

Credit ratings are solely statements of opinion and not statements of fact or recommendations to purchase or discontinue any policy or contract or to buy, hold or sell any security or make any other investment decisions. Credit ratings may be changed, withdrawn or suspended at any time.

Latest ratings can be found at [www.standardandpoors.com](http://www.standardandpoors.com), [www.ambest.com](http://www.ambest.com), and [www.fitchratings.com](http://www.fitchratings.com)

Under the Insurance (Prudential Supervision) Regulations 2010 from 1 September 2012, an Insurers Financial Strength Rating must declare any overseas policyholder preference.

### QBE Insurance (International) Limited

[www.qbe.co.nz/New-Zealand/FinancialStrength/Insurance.html](http://www.qbe.co.nz/New-Zealand/FinancialStrength/Insurance.html)

QBE Insurance (International) Ltd (New Zealand Branch) has been given an "A+" Insurer Financial Strength Rating by Standard & Poor's (Australia) Pty Ltd.

The Rating Table		
AAA (Extremely Strong)	BBB (Good)	CCC (Very Weak)
AA (Very Strong)	BB (Marginal)	CC (Extremely Weak)
A (Strong)	B (Weak)	R (Regulatory Action)

The ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within major rating categories.

Credit ratings issued by Standard & Poor's Rating Services are solely statements of opinion and not statements of fact or recommendations to purchase or discontinue any policy or contract to buy, hold or sell any security issued by QBE Insurance (International) Limited or make any other investment decisions. Credit ratings may be changed, withdrawn or suspended at any time. Latest ratings can be found at [www.standardandpoors.com](http://www.standardandpoors.com).

QBE Insurance (International) Limited ("QBE") has a policy of holding actual capital in excess of regulatory capital requirements. In the event that QBE is wound up, the claims of New Zealand policyholders will be paid out of the assets of QBE in New Zealand, and possibly other countries, except Australia. Australian Law requires that on a winding up of QBE, the assets of the company in Australia are to be used to pay its liabilities in Australia before paying liabilities outside Australia.



# **APPENDIX D**

# **WILLIS CLIENT SERVICE PLAN**

## SERVICE PLAN

ACTIVITY	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Placement of Programme with Insurers					✓							
Presentation of Insurance Manual						✓						
Complete Policy Documentation						✓						
Review Risk Management Requirements			✓					✓				
Client Visits		✓		✓	✓	✓		✓			✓	
Client Meetings with major Insurers and Loss Adjusters				✓								
Day-to-day Service Correspondence, Claims, Enquiries, Programme Maintenance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Claims Reviews			✓			✓			✓			✓
Commence Renewal Process		✓										
Agree renewal strategy			✓									
Discuss Uninsured Risks and other Willis services			✓									
Collect Renewal Information			✓									
Negotiate Renewal Terms					✓							
Report Renewal Terms					✓							



# **APPENDIX E**

# **IMPORTANT NOTICES**

# IMPORTANT NOTICES

Please read these notices carefully. If there is anything in them that you do not understand or if you would like any further information, please contact us.

## General

Many areas of insurance are complex and some implications may not be evident to you. Your Account Manager will keep you informed, but if at any time you are unsure of any aspect of your insurances, please contact Willis New Zealand Ltd to discuss the matter.

## Utmost Good Faith

A contract of insurance is a contract of the utmost good faith. This means that you and the Insurer must act towards each other, in respect of any matter arising under or in relation to the contract, with the utmost good faith. For example:

- You must act with the utmost good faith when submitting any claim to the Insurer;
- if you fail to act towards the Insurer with the utmost good faith, it may prejudice the claim; and
- the Insurer must act with the utmost good faith when handling the claim.

## Your Duty of Disclosure

You and everyone who is insured under your policy must comply with the duty of disclosure. Make sure you explain the duty to any other insureds you apply on behalf of.

The duty requires you to tell the Insurer certain matters which will help it decide whether to insure you and, if so, on what terms. The duty applies when you first apply for your policy and on any renewal, variation, extension or replacement of the policy; i.e. this is an on-going responsibility throughout the duration of the policy.

The type of duty that applies can vary according to the type of policy.

If we act on your behalf, to assist us in protecting your interests, it is important that you tell us every matter that *you know or a reasonable person in the circumstances could be expected to know*, is relevant to the Insurer's decision whether to insure you and, if so, on what terms. We will then assist you in determining what needs to be disclosed to the Insurer in order to meet your duty.

If we act on behalf of the Insurer, you need to refer to the policy which will set out the duty that applies.

When you answer any questions asked by the Insurer, you must give honest and complete answers and tell the Insurer, in answer to each question, about every matter that is known to you and which a reasonable person in the circumstances could be expected to have told the Insurer in answer to the question.

Examples of matters that should be disclosed are:

- any claims you have made in recent years for the particular type of insurance;
- refusal by an Insurer to renew your policy;
- any unusual feature of the insured risk that may increase the likelihood of a claim.

If you (or anyone who is insured under the policy) do not comply with the duty, the Insurer may cancel the policy or reduce the amount it pays in the event of a claim. If the failure to comply with the duty is fraudulent, the Insurer may treat the policy as if it never existed and pay nothing.

## Material Change of Risk

Many policies require you to notify the Insurer in writing of any material change to the insured risk during the period of insurance. The Insurer can then decide whether to cover the new risk. Some examples of material changes are if you:

- change your profession or occupation;
- acquire or merge with another business;
- commence manufacturing plastics, or commence woodworking activity;
- commence manufacturing a new kind of product;
- are unable to pay your debts as they fall due and you enter into an arrangement with your creditors.

If you are in any doubt as to whether the Insurer should be told about any particular change to the insured risk, please ask us.

## Interests of Third Parties

Many policies do not cover the interests of third parties (e.g. co-owners, lessors and mortgagees) whose interest is not noted on the policy. If you require the interest of any third party to be covered, please let us know, so that we can ask the Insurer to note that party's interest on the policy.

## Subcontractors & Consultants

It is advisable to check all insurances held by subcontractors utilised, including Workers Compensation, Public Liability and Professional Indemnity.

## Leasing, Hiring and Borrowing Property

When you lease, hire or borrow property, plant or equipment, make sure that the contract clearly identifies who is responsible to insure. This will help avoid arguments after a loss and ensure that any claims are efficiently processed.

## Recovery Rights / Hold Harmless / Waiver of Subrogation

Many policies exclude or limit the Insurer's liability if you have entered, or enter, into an agreement that excludes or limits your rights of recovery against third parties whose acts, errors, omissions or other conduct have caused or contributed to your loss or liability. (These are often called "hold harmless" agreements.)

If you have entered, or consider entering, such an agreement, please let us know, so that we can advise you about how the agreement affects, or will affect, your cover.

## Average or Co-insurance Clauses (Underinsurance)

Many policies that cover loss of or damage to property contain what is called an "average" or "co-insurance clause" which may reduce the amount of a claim payable under the policy.

Briefly stated, an "average" or "co-insurance" clause provides that where the value declared by the insured or sum insured under the policy is less than the full value of the interest insured, the Insurer is only liable to pay a proportion of the loss or damage, i.e. you are treated as if you self-insured part of the risk.

If your policy contains an "average" or "co-insurance" clause, please read it carefully to see how it affects the amount of cover under the policy.

Areas that are of concern to our clients are the adequacy or otherwise of:

- replacement values for Assets
- values for Consequential Loss of either Gross Profit, Gross Rentals and/or Additional Increased Costs of Working. It is preferable that:
- if your policy provides "new for old" cover, the declared value is sufficient to cover the cost of replacing any lost or damaged property with new property;
- when reviewing building values, you make allowance for compliance with current building regulations and building cost increases since your last valuation, lead times for council approval, and the like.
- When reviewing replacement costs for Plant and Machinery, you make allowance for currency fluctuations that can occur in the cost of imports from some countries. You should also consider technological changes, import duties and current and future inflationary trends.

We recommend that you supply us with a copy of your most recent insurance valuation(s) in respect of both Buildings and Plant and Machinery.

#### Market Security

We assess the financial soundness of the proposed insurers and markets we recommend using public information including that produced by recognised rating agencies. However, we will not in any circumstances act as an insurer nor will we guarantee or otherwise warrant the solvency of any insurer or market used for your requirements. As a consequence the decision regarding the suitability of any insurer or markets rest with you. If you have any concerns regarding any insurers chosen for your insurance requirements you must advise us as soon as possible and we will discuss them with you.

If requested, we will make available to you factual analysis prepared by the Willis Market Security Department in respect of listed insurance carriers proposed to be used for your requirements. Further, we can consider market security enquiries on an ad hoc basis but this may be subject to the agreement of an additional fee.

Notwithstanding the foregoing we will, in accordance with the Insurance (Prudential Supervision) Act 2010, advise the current financial strength rating of any insurer.

#### Making Claims

It is important that you notify us of any claim or potential claim or circumstance that may give rise to a claim under your various policies. It is your responsibility to notify these circumstances to us. Failure to adhere to the notification requirements particularly timing, as set out in the policy or other coverage document, may entitle Insurer(s) to deny your claim. In presenting a claim it is your responsibility to disclose all facts which are material to the claim.

It is impossible to give guidelines for procedures in every claim, simply because of the nature of accidents; they cannot be predicted; and they do not follow set patterns. However by following the general procedures outlined below, the impact of an incident or loss on your business operations will be minimised.

In respect of all claims the following conditions must be complied with to ensure your claim is not compromised by your actions or inaction following the loss:

- A. **Immediately notify** the loss to your Client Servicer at Willis. If the loss is of a serious nature e.g. major fire, after hours contacts are shown in the Introduction. If the loss is minor, a claim form by fax or in the post within a few days of the loss will suffice in lieu of phone advice.
- B. **Prevent further damage** and seek to minimise the loss as much is physically and/or economically viable. In other words, take all temporary preventative and remedial action that you would take if you were not insured against the loss.
- C. **Do not proceed with permanent repairs or replacement** or lost or damaged property until authorised by your Insurers or by Willis.
- D. **Do not dispose of damaged property** unless authorised by your Insurers or by Willis.
- E. **Do not admit liability** where you are involved in an accident with another party.
- F. **Complete a claim form** and forward it together with supporting documents, e.g. repair estimates or invoices, Police Complaint Acknowledgement forms in cases of theft or vandalism, as soon as possible to your Client Servicer at Willis.

#### "Claims Made" Policies

Some kinds of liability policies (such as Professional Indemnity, Directors & Officers Liability, Trustees Liability and Commercial Builders Structural Defects) are usually issued on a "claims made" basis. This means that (subject to the other terms of the policy) the policy only covers claims first made against you during the period of insurance.

If your policy is a "claims made" policy, and if you give notice in writing to the Insurer of facts that might give rise to a claim against you as soon as is reasonably practicable after you become aware of those facts but before the period of insurance expires, the policy will cover (subject to the other terms of the policy) any subsequent claim against you that arises from those facts, even if that claim is not made until after the period of insurance has expired. In order to ensure that any entitlement to indemnity under the policy is protected, you must therefore report all incidents that may give rise to a claim against you to the Insurers without delay after such incidents first come to your attention and prior to the expiration of the policy period.

If your policy is a "claims made" policy, and if it has a "retroactive date", it will not cover any claim that arises from any act, error, omission or conduct that occurred before that retroactive date.

#### Statutory Imposts in Overseas Jurisdictions

Your insurance risks may be in more than one international jurisdiction. Where required we will liaise between you and the insurers to seek to agree the apportionment of the premium between applicable jurisdictions, and the amounts of local statutory charges and/or taxes payable in each jurisdiction in relation to policies insuring those risks.

In providing such services, Willis is acting in its capacity as an insurance broker and does not hold itself out to provide advice in relation to the statutory charges and/or tax laws of any applicable jurisdiction. We recommend you seek your own advice in relation to such imposts where you consider it necessary. We will not be liable to you should the apportionment of premium or amount of local imposts payable under the policies be challenged by any local authority, nor for any penalties or other charges that may be associated therewith. In addition, we will not be liable to you should the insurers fail, or refuse, to collect and pay such imposts to the relevant authorities.

#### Misstatement of Premium

We try to tell you the correct amount of premium and statutory charges that applies to your insurance. In the event that we misstate that amount (either because we have made an unintentional error or because a third party has misstated the amount), we reserve the right to correct the amount. By instructing us to arrange insurance for you, you agree, where permitted by law, that you shall not hold us responsible for any loss that you may suffer as a result of any such misstatement.

#### Payment of Premium

Payment of premium is required on receipt of invoice(s). This is an important part of the transaction and often there are strict requirements imposed by insurers. It is important to note, Willis will not be responsible for any consequences that may arise from any delay or failure by you to pay us the amount payable on receipt of invoice(s).

#### Terms of Business Agreement (TOBA)

Our TOBA contains important information about our relationship with you. A copy of our TOBA can be obtained by contacting your Client Servicer or from our website at [www.willisgroup.co.nz](http://www.willisgroup.co.nz).



# **APPENDIX F**

# **PREMIUM FUNDING**

## THE “SMARTER WAY”

Willis premium payment terms are full payment on receipt of our tax invoices. As an alternative, you can choose to spread the payment of premiums over 10 months commencing from the renewal date. The benefits of this option are detailed below.

Funding provides negotiable loans for repayment of fixed expenditure items, enabling your business to retain working capital which would otherwise be committed in the upfront settlement of such expenses.

- Your annual insurance premiums and other annual costs can be spread over a flexible period.
- Your business will maintain cash flow, thus an improved working capital position.
- Your business will acquire an additional line of credit. (No “bricks and mortar” security and normally no directors guarantees or cash flow analysis reports).
- Credit charges are competitive and are tax deductible. (Credit charges are similar to or better than conventional loan sources.)
- Fixed interest rates are the term of the loan.
- Documentation is simple and easy to complete.
- Monthly payments can be paid by Direct Debit request.

We would be happy to provide terms for your consideration.



# **APPENDIX G**

# **WILLPLACE AND**

# **WILLIS QUALITY INDEX®**

# WILLPLACE

Willis currently uses WillPLACE, a web based system which provides information to brokers to assist them with the carrier selection process.

WillPLACE is a client centric application that:

- Brings science to the market appraisal process
- Reflects upon your priorities beyond price
- Aggregates Willis' knowledge of markets globally
- Provides an in depth analysis of carrier capabilities and performance

At the hub of the WillPLACE system is Market Match, an algorithm which uses a scoring system that predicts the likelihood of each and every carrier globally having the best solution for your needs.

The algorithm responds to inputs which includes:

- Profile - industry, size/turnover, segment, location
- Risk - class, line, product, primary vs. excess, direct vs. reinsurance
- Client priorities - price, claims, service underwriting, policy administration

The top carriers are then returned, ranked by score, along with extensive data on each including:

- Access point (including wholesalers if appropriate and connectivity to London market specialists)
- Restrictions and ratings connecting to insurer market security
- Content on the carriers' specific offering matching the client needs
- Scoring breakdown
- Links to our expertise portal where we capture unstructured feedback on carriers including the Willis Quality Index®  
- See WQI information below

By capturing how each market responds and why, detailing summary quote information for those markets that quoted (dynamic data) as well as considering carriers appetite (Static data) WillPLACE is an evolutionary process aggregated through learning adjusted weightings. Thus, resulting in benefits for you by providing science to a hitherto subjective process.

Willis believes that WillPLACE is superior to our competitor strategies as it provides support and input at the time of market selection, and is embedded into the placement process versus purely a data capture exercise.

## NOTE:

As Willis facilities have been created to ensure better coverage and pricing to our clients, those products that are or should be placed with existing Willis facilities are excluded from WillPLACE Market Match.

## **WILLIS QUALITY INDEX®**

Willis is committed to excellence, and this is critical when it comes to placing our clients' business with carriers who can best meet their needs.

For this reason, we have developed the Willis Quality Index® to capture, analyse and share vital carrier information. The WQI is key to promoting superior relationships with our major trading partners throughout the world. It also enhances our clients' ability to make better informed carrier choices. The WQI combines qualitative opinions from Willis Associates across the globe with quantitative data and measurement from our various tracking systems.

Qualitative areas of evaluation include:

- Underwriting - including commerciality, coverage and responsiveness
- Policy administration - including timeliness, accuracy and policy wordings
- Claims - including attitude, settlement and technical support
- General Service - including loss control, risk assessment and post placement services

### **How you benefit from the Willis Quality Index®?**

- The WQI allows for comparison of up to three carriers; a customised client report shows the relative performance of named carriers within a specific business sector, geographically or by class
- WQI means you will have the opportunity to make better informed carrier choices, tailored to your specific placement needs, based not only on financial strength but also on superior performance
- You will have exclusive access to the WQI through your Client Advocate and will benefit from the combined opinions and experience of thousands of Willis employees worldwide
- The Willis Quality Index® is a unique offering from Willis, with information covering the widest range of service performance measures in an easy to understand structure

The Willis Quality Index® process and procedures are reviewed by independent auditors, PricewaterhouseCoopers LLP.



# **APPENDIX H**

# **ACCEPTANCE ADVICE**

## ACCEPTANCE ADVICE

The Manager  
 Willis New Zealand Ltd  
 Building G, Level 1  
 Hazeldean Business Park, 2 Hazeldean Road  
 Addington 8024  
 PO Box 2220  
 CHRISTCHURCH 8140

Fax: +64 3 338 7590

Attn: Steve Sugrue

### Opuha Water Limited Insurance Programme Renewal Acceptance Advice

Please renew the insurances outlined below, on the basis of your report dated 29 May 2014.

1. We confirm that no claims or circumstances which may give rise to a claim have arisen between 05 May 2014 and today's date which have not been notified to our insurer.
2. There have been no material changes to our business which may affect the renewal of this insurance between 05 May 2014 and today's date.
3. We understand and agree that Willis will be remunerated for their services by way of Fee, as agreed

Policy Details (Please tick your selection)

	POLICY TYPE	INSURER	PREMIUM \$
<input type="checkbox"/>	Material Damage / Business Interruption - Hydro Generation Placement	Various, via Lloyds of London	\$188,999.92
<input type="checkbox"/>	Material Damage / Business Interruption - Hydro Generation QBE Placement	QBE Insurance (International) Limited	\$62,999.97
<input type="checkbox"/>	Material Damage / Business Interruption - Non Generation Assets	QBE Insurance (International) Limited	\$6,451.80
<input type="checkbox"/>	Motor Vehicle	Vero Insurance New Zealand Limited	\$3,677.79
<input type="checkbox"/>	General Liability	QBE Insurance (International) Limited	\$12,000.00
<input type="checkbox"/>	Directors & Officers Liability	QBE Insurance (International) Limited	\$11,250.00
<input type="checkbox"/>	Directors & Officers Liability - Limit \$7,500,000	QBE Insurance (International) Limited	\$13,250.00
<input type="checkbox"/>	Directors & Officers Liability - Limit \$10,000,000	QBE Insurance (International) Limited	\$16,750.00
<input type="checkbox"/>	Directors Defence Costs Policy - Limit \$5,000,000	QBE Insurance (International) Limited	\$5,000.00
<input type="checkbox"/>	Directors Defence Costs Policy - Limit \$2,000,000	QBE Insurance (International) Limited	\$2,000.00
<input type="checkbox"/>	Statutory Liability	QBE Insurance (International) Limited	\$1,750.00
<input type="checkbox"/>	Employers Liability	QBE Insurance (International) Limited	\$400.00

Please have Willis Specialist contact me about the uninsured covers outlined in the Insurance Renewal report

Yes / No

Contact Name: .....

Contact Number: .....

Best time to Contact: .....

Signed: .....

Date: .....

For: **Opuha Water Limited & 88873**