

The Willis logo is positioned in the top right corner of the page. It consists of the word "Willis" in a white, serif font, set against a dark blue rectangular background. This background is part of a larger header bar that also includes a yellow section on the left.

OPUHA WATER LIMITED

**RESPONSE TO REQUEST FOR PROPOSAL FOR
THE PROVISION OF INSURANCE BROKING &
RISK MANAGEMENT SERVICES**

April 2013

WILLIS OVERVIEW

- Established 1828
- 17,000 associates
- 400 offices
- 120 countries
- Publicly listed on New York Stock Exchange
- www.willis.com

NEW ZEALAND

- Established 1965
- Corporate insurance focus
- Offices - Auckland, Wellington & Christchurch
- 85 Associates
- New Zealand Insurance Industry 2012 – Large Broking Company of the Year
- www.willisgroup.co.nz

THE WILLIS CAUSE

- We thoroughly understand our clients' needs and their industries
- We develop client solutions with the best markets, price and terms
- We relentlessly deliver quality client service
- We get claims paid quickly

....WITH INTEGRITY



LARGE BROKING COMPANY OF THE YEAR

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1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

Thank you for your invitation to Willis New Zealand (Willis) to submit a proposal for the Insurance Broking and Risk Management programme for Opuha Water Limited (OWL).

You advised you are looking for a coordinated approach to your insurance and risk management programme which Willis will achieve for you and in doing so we will:

- ✓ Minimise your cost of risk
- ✓ Assist you with the management of your risks
- ✓ Provide proactive claims management

Willis is well positioned to provide the necessary resource and expertise to OWL and trust this brief document provides the necessary confidence that we will exceed your expectations as your appointed broker.

1.2 UNDERSTANDING YOUR RISKS

“This [Opuha] scheme has now been operational for ten years and its contribution to our (South Canterbury) economy has been huge: the environment has benefited from maintained river flows and a recreational lake and, during that time, 500 new full-time jobs have been created because farmers, service and processing industries can plan their business with confidence knowing that production on farms will be certain each year and sustainable”.

A Dream Fulfilled, the Story of the Opuha dam

This contrasts with many insurers’ perception of the Opuha scheme. They recall - and in many cases it is all they know - that the dam was breached Waitangi Day, 1997 and it had to be rebuilt. Few of them could answer why the dam was breached or whether it could happen again – and even fewer of them understand the different levels of flood risk during the construction phase of a dam compared with a commissioned dam. To underwriters the scheme has, unfortunately, an “insurance stigma” attached to it, and this is reflected by the lack of support for the existing programme from the local insurance market. This has necessitated your insurance advisers place OWL Material Damage and Business Interruption insurances overseas – in the London market.

The London market provides capacity for local markets such as New Zealand. Genesis Energy and Meridian Energy, for example, each have power stations with individual site values in the billions of dollars. Such placements rely on capacity available from London. But OWL’s insurance programme is well within the capacity of the local market and, by approaching the London market without a strong, local lead, London insurers inevitably are cautious - why does the local market not wish to participate? Inevitably, uncertainty surrounding any insurance placement results in elevated premium costs and OWL is certainly paying a very high price for its current insurance programme.

Although the dam breach was 16 years ago and your existing broker has, no doubt, during this time tried hard to obtain the best available terms for OWL, they seem to have overlooked the real problem and, as a result, they have not implemented a plan during this time to address the insurance markets’ negative perception of OWL.

1.3 REPOSITIONING OWL IN THE INSURANCE MARKET

We will approach this year’s insurance marketing very differently by revisiting the dam site with a leading local insurer who participates in many similar risks for Willis, and who we are confident will be keen to not only offer a significant share of the insurance programme but will also join Willis in assisting OWL to manage its risks. This suggested direct involvement of an insurer is unusual, brokers often preferring to distance their clients from direct association with insurers, but for OWL this provides an ideal way to demonstrate first-hand how well OWL is managing risk. A year later we can consider introducing other, selected local insurers to OWL as we progressively move towards a point where insurance availability locally exceeds the needs of OWL. The laws of supply and demand will determine that insurance costs will fall as more insurers perceive OWL as a scheme, given the opportunity again, they would now be prepared to underwrite.

1.4 OUR EXPERIENCE WILL ACHIEVE SIGNIFICANT PREMIUM SAVINGS

Willis has a long experience in the power generation and irrigation sectors in New Zealand. We were involved with ECNZ until the SOE was broken up by government, so have been involved with all the large power stations in NZ. We continue to be involved with Genesis Energy and TrustPower today. In addition, and perhaps of more relevance to OWL, we act for companies such as Pioneer Generation in Alexandra and Rangitata Diversion Race and the associated irrigation companies. We know the markets to use, we have established support with the insurers involved and have a plan which we are very confident will not only reduce costs significantly for OWL from day one, but (and much more importantly), the savings will be sustainable. Insurers will be participating in the scheme's insurance because they want to be involved not because they are doing your insurance broker a favour (at a price).

1.5 WE WILL PROACTIVELY ASSIST OWL IN MANAGING ITS RISKS

Willis can save OWL significant costs on its annual insurance purchase, but that is not really the important issue. Much more important is ensuring OWL's risks are properly identified and assisting OWL Management in managing risk for, as we explain later, most critical risks for a hydro-station owner or irrigator are not insurable. So the emphasis of Willis' service programme is firstly on managing risk, secondly ensuring that the insurance programme purchased responds to the identified insurable risks to OWL and thirdly, the insurance purchase is achieved more economically both in the short and long term.

1.6 WILLIS WILL ENHANCE YOUR INSURANCE PROGRAMME

Willis has been forwarded copies of the 2011 insurance policies and, whilst these are not the latest insurance documents, (we understand that the 2012 policies are not dissimilar), they incorporate exclusions and limitations in the policy which seem to favour the insurer and ignore OWL's needs. There seems to be no recognition of the specific risks associated with dam ownership, irrigation or hydro electricity generation and, therefore, the insurance cover purchased does not really address many of the issues OWL may face in a major loss situation.

As your appointed broker we will undertake a 'gap analysis' and provide advice as to the current policy coverage and where Willis will provide improvement. This brief document highlights certain observations where improvements can be made.

1.7 EXPERIENCED SERVICE TEAM

Unlike our competitors, Willis Risk Consulting and Insurance Broking services are delivered as an integrated service, and not by separate profit centres, each with its own agenda. The benefit is a united team approach where the emphasis on service, whether it be risk management or insurance, is solely determined by the client needs, rather than by internal factors.

The Willis proposed Service Team will be Geoff Broadhead, (Willis, Auckland) and Steve Sugrue (Willis, Christchurch). This service team provides the experience in dams which we believe to be important for OWL plus the benefits of a locally based broking service.

Willis typically structures its services for power generators and irrigators around pre-scheduled meetings – in the case of OWL we suggest, besides the pre and post renewal meetings, at least one other formal meeting with OWL six months after renewal, the meeting to be attended by Willis Service Team and the local lead insurer's engineer. The focus of these meetings will be around how OWL is managing its risks hence the presence of the Insurer, Willis risk consultants and insurance broker is proposed at these meetings.

1.8 TRANSPARENT REMUNERATION

The current adviser is remunerated by brokerage – a percentage of the premium paid to the insurers – typically ~20%. London often also pays brokers other commissions such as engineering fees (2.5%), or over-riding commissions and reinsurance commissions.

Willis world-wide policy is transparency on earnings with our clients. We do not receive any 'hidden' commissions and declare all our earnings whether they be paid by brokerage or fees.

We are proposing a fair and transparent fee for the service and advice we deliver to OWL.

2. BROKER CREDENTIALS

2.1 COMPANY PROFILE

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.

Willis New Zealand was established in 1965 and is focussed on delivering insurance broking services to the corporate insurance buyer market sector and has significant experience in providing risk management and insurance solutions to the Power and Utilities sector in New Zealand. Willis operates out of offices in Auckland, Wellington and Christchurch, with 85 associates (employees).

2.2 CLIENT AND INDUSTRY EXPERIENCE

Willis is a leading broker in the New Zealand power industry. Our experience has been developed over many years, providing risk and insurance solutions to New Zealand's power and utilities sector which include:



Willis also has a long established Power and Utilities Practice headquartered in London with specialist experienced brokers and risk engineers located around the world who are focused on all aspects of the power Industry.

This market leading position enables our clients in New Zealand to benefit from the global expertise of our Power and Utilities Practice group.

Additional benefits for OWL include our ability to:

- Pool and share knowledge on industry issues and experiences
- Identify and address emerging industry issues
- Identify and cultivate alternative insurance markets and risk financing possibilities
- Bring together the best resources to place utility industry programmes
- Provide insurance market updates and risk and insurance bulletins

2.3 WILLIS PROFESSIONAL INDEMNITY INSURANCE

Insured	Willis Group Holdings plc and/or all Subsidiary Companies
Insurance Company:	Captive Insurers and self-insurance with excess capacity with various external insurers including certain syndicates at Lloyd's, London and others
Policy number:	FSIL 2011.12
Expiry Date:	30 July 2013
Limit of Liability:	US 50,000,000

As may be expected, **excess layers of coverage** are purchased in addition to the primary policy, taking the total protection to a substantial sum. It is a preference of insurers (and therefore Group policy) that the exact terms, conditions and deductibles are not released.

2.4 INSURER SECURITY

As a global broker, we have access to markets world-wide. Whilst markets are not closed to us, we have defined criteria in selecting markets on behalf of our clients. Paramount to this is the Insurer's security. Our security guidelines are based on rating and financial size. Our minimum rating is A - financial strength rating from A.M Best's/Standard & Poor's or equivalent international rating plus requirements on shareholder equity.

We closely monitor the security of insurance and reinsurance markets worldwide to mirror the increasing interest in and awareness of market security issues. We seek to ensure that our clients' risks are placed with secure and solvent carriers, which will meet valid claims as they fall due. Our market security function is a vital tool in achieving this.

2.5 REFEREES

We have selected three clients who currently enjoy service delivery from Willis. It should be noted that our risk solution for these clients has been based on a proactive approach to risk management.



Ben Curry
Chief Executive Officer
Rangitata Diversion Race
Management Ltd
Tel: (03) 307 8320



Deion Campbell
General Manager Generation
TrustPower Ltd
Tel: (07) 574 4791



Jeremy Boys
Chief Executive
PrimePort Timaru
Tel: (03) 687 2720

3. SCOPE OF SERVICES

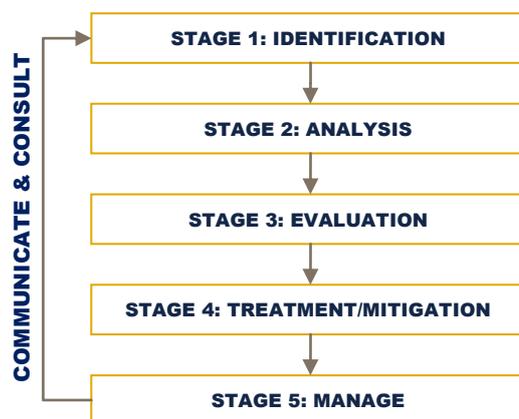
3.1 INSURANCE BROKING

We will adopt a risk managed approach to the service delivery to OWL, which will be designed to complement your risk profile, risk control and risk management activities.

The following diagram illustrates the 5 Stage process which will allow us to deliver OWL with the optimum result in terms of the best insurance programme and the most economic cost.

Stage 1 to 4 addresses the activity Willis will undertake from appointment through to insurance placement. Stage 5 addresses the on-going service delivery to OWL thereafter.

Willis service team will establish the 12 month service plan with OWL and formulate a Service Level Agreement. A draft plan is detailed in Appendix A and will be customised to meet your specific requirements.



3.1.1 INSURANCE PROGRAMME OBSERVATIONS/IMPROVEMENTS

From the documentation we have received to date we are concerned that the current insurance arrangements incorporate exclusions and limitations which seem to favour the insurer and ignore OWL's needs. There seems to be no recognition of the specific risks associated with dam ownership, irrigation or hydro electricity generation and, therefore, the insurance cover purchased does not really address many of the issues OWL may face in a major loss situation. Examples are:

- Hydro-generation business interruption losses are limited to a maximum of \$45/hr. when the spot market price is currently ~\$130MWh and last week was \$230/MWhr, in the South Island at HWB node, five times the maximum payable under the insurance policy.

Recommendation: The insurance limit should be double that currently insured (in line with what we have negotiated for other generators). If, instead of limiting the payment to a maximum of \$45MW/hr. it is changed to (say) \$10/MWhr average over the entire period of the outage i.e. 24 x 7 x days outage, then insurance entitlement will adequately reimburse OWL for lost generation.

- Dependency cover at any third party premises is limited to 5% of revenues. But Opuha exports 100% of its generation via Albury sub, a Transpower asset.

Recommendation: The revenue dependency at Albury should be insured for 100%, and we would not expect any increase in terms to arrange this.

- The insurance is arranged on a Gross Profit basis. This is not really appropriate, in our opinion, for an irrigator or hydro generator. It is impossible to know beforehand what you would be paid in a loss. It is a complex calculation which requires no less than ten paragraphs in the OWL insurance policy to define what it covers.

Recommendation: We favour a much simpler and transparent basis of loss settlement – Loss of Revenue. If you can show that the water was available at the time of loss and this is what you would have earned but for the insured damage, then that is what you are paid. (Compare this simple, transparent settlement basis with the current Gross Profit definition.)

- The existing insurances contain a number of exclusions and apply various levels of deductible depending on the insured loss which can be ambiguous.

Recommendation: A monetary deductible which is adequate to protect an insurer's position but clarifies the maximum amount that OWL is responsible for in the event of a loss, is a much preferred option. It avoids possible arguments, post loss, as to the extent of the policy exclusions and possible aggregated deductibles being applied.

An example is the exclusion of the fusible auxiliary spillways. What does this mean and where does the exclusion stop? What happens if the damage is more widespread – as happened when the 1997 dam breach was caused by the temporary spillway embankment unable to contain the flood flow. It could be argued that if the same scenario occurred tomorrow, any resultant damage to the dam was caused by the fusible auxiliary section not coping with the flood flow – the proximate cause of loss, arguably, is an excluded risk. A simple monetary deductible eliminates this type of ambiguity.

- There are references to pressure vessels being excluded from cover – arguably the conduit (penstock) at Opuha is a pressure vessel – there is a head pressure of 52m (at the Power House) so is this excluded?. If so, damage arising from penstock failure will also be excluded. Similarly, damage as a result of any of the exclusions above may also be avoidable because these subsequent losses are caused by an excluded risk. There is no reference in the policy to confining the exclusion to the item mentioned only.

Recommendation: There is no need to introduce ambiguity into the scope of cover. Penstocks are insurable and should be included in the insurance.

3.1.2 WILLIS MARKETING STRATEGY

Opuha appears to Willis to be in an unfortunate situation. The dam is notorious for the dam breach during construction, but few underwriters understand the different levels of flood risk between a dam under construction and a commissioned dam. As a result, whenever a local underwriter is approached and asked to insure Opuha Dam they are likely to have a negative, preconceived (and probably ill-informed) perception. This no doubt makes obtaining competitive terms from the local market very difficult for the current adviser. Understandably, they have resorted to placing the business (80%) in the London market place. The problem here is that for an account the size of Opuha, London would expect to see a strong, local participation – placing, or at least trying to place, 100% in the London market suggests to them that the local market is not interested – why is that? As a result the London terms are very conservative.

There is no point in any broker saying they can 'broke' the placement better than anyone else. It is not a case of market negotiation but one of changing perceptions of underwriters by explaining why the dam failed, why the risk is so different now compared to when it was being built, how risk is managed, the dam safety procedures now in place and OWL's response to the recent Dam Safety Review report. It is essential to convince insurers that OWL manages its risks well and that that is what insurers should be assessing the risk on, not on incorrect assumptions about an event which occurred sixteen years ago.

Recommendation: Willis' recommended approach is to form a three-way partnership with a local insurer and involve them in site meetings and inspections with ourselves and OWL staff. There is a good story to tell, and the best way to change assumed potentially negative perceptions of insurers is, in our opinion to involve the Insurers more than we would normally. We propose involving the insurer in both future site visits and future site meetings with OWL because it is only from first hand involvement and understanding how risk is managed that the negative perceptions can be overturned. Once that is achieved, the insurance terms offered will become more competitive and as more insurers start to take an interest in Opuha the inevitable pressure from competition will ensure premium savings are sustainable.

Recommendation: We favour retaining London – for at least part of the placement for the time being. To place OWL’s insurance 100% in the local market - if possible – would be tantamount to burning our bridges with London, and that would be premature. There is always another year, another renewal to negotiate and we favour keeping all options open. What we would strive to do is to place at least 50% in the local market and the balance in London. If we can negotiate good terms locally we shall then expect the London market to follow suit.

Currently OWL is paying an inflated premium because the risk is not properly understood by insurers, the risks have not been marketed in a way which changes the negative preconceptions towards OWL and there has not been enough emphasis on how well risk is being managed.

3.1.3 INSURANCE – EARTHQUAKE RISK

In many countries where there is a notable seismic risk, international insurers have tended to limit availability of seismic insurance, not only on dams but on all forms of industrial insurance, business interruption insurance is sometimes not available, and premiums have far exceeded those that have traditionally been charged in NZ. NZ has been unique in many ways in that earthquake insurance for any asset had always been readily and very economically available, until the Christchurch earthquakes in 2010 and 2011. Since then international reinsurers have been driving up the price of earthquake reinsurance cover, forcing the local retail insurers to increase their terms and be more selective of the risks they accept. Insurance capacity is certainly still there for NZ earthquake risk but, like the electricity market, the available capacity only rises as the price rises.

To place a dam owners material damage insurance and counter the consequences from the Christchurch earthquakes, it is necessary, if costs are to be contained, to reassure potential insurers as to the integrity of the dam and the quality of the dam safety regime adopted by management and provide insurers with information regarding active fault lines in the area and regional seismicity.

Recommendation: Adherence to NZSOLD Guidelines is essential as is advising insurer the outcome of DSR studies and the proposed actions in response to recommendations, plus Willis will provide potential insurers with an earthquake risk analysis showing expected effects of attenuation from any close-by active faultlines and levels of intensity and/or PGA therefore likely to be experienced at the dam. Regional seismicity data will provide a range of predicted levels of intensity for varying average return periods. This type of information is essential if earthquake insurance is to be purchased at a reasonable cost. Without adequate data the insurance market will inevitably charge conservative rates for earthquake cover anywhere in the South Island. Above all, the reduced level of earthquake risk at Opuha, compared with Christchurch, needs to be emphasized.

3.2 RISK MANAGEMENT

For dam owners we place increased emphasis on managing risk because so many of the really important risks for a dam owner are not insurable. If we do a simple analysis of the principal risks facing OWL they would include:

- Loss or gradual erosion of water rights and resource consents (without these there is no business)
- Ownership of water and river beds where dams are built (political uncertainty)
- Treaty settlements and the risk of political agreements eroding existing water rights (political uncertainty)
- Earth dam failure due to piping (Uninsurable risk)
- Breach of resource consents and/or gradual pollution of environment (gradual pollution not insurable, only sudden pollution insurable)
- Weather pattern changes (climate change and impact on rainfall into catchment area)
- Loss of reputation (which would have a negative impact on all stakeholders)
- Natural hazards (especially seismic risks, landslip and flooding)

Of these risks, only the natural hazard risks are insurable, and in respect of landslip that cover is limited to \$1million. This is why it is so important for dam owners to manage risk – because the chances are that a large loss is not going to be an insurance loss. It is for these reasons Dam Safety Assurance Programmes are so important coupled with associated surveillance and inspection regimes. Insurance for dam owners is really confined to natural hazard catastrophe cover and, in the case of generation power houses, fire also.

An insurance policy is a legal contract, and any large loss will be settled strictly according to the policy wording. The unique potential risks faced by a dam owner are, however, not widely understood and, therefore, the shortcomings of standard insurance responses most unlikely to be appropriate. This is why a thorough risk identification and risk analysis process is an essential starting point. Only then can a clear picture of the risk exposures and their relative importance be determined, the need for insurance identified and the Dam Owner be comfortable that the many non-insured risks are being adequately managed.

For Dam Owners, relying entirely on insurance is simply not an option. Dam Owners must manage their risks and NZSOLD provides a credible and essential aid to not only managing risk for Dam Owners but also the Dam Safety Assurance practices add essential credibility to any submission to insure NZ Dams in the local and international insurance markets.

What also needs to be remembered is that these reports – Comprehensive Safety Reviews, Geotechnical studies, Dam Break scenarios etc. would all be regarded as ‘discoverable’ post-loss. Withholding information which, after a loss, arguably would have affected the underwriter’s decision to accept the risk could prejudice a claim. It is important therefore, that insurers are kept aware of these reports’ conclusions and intended responses. There are ways in which the Dam Owner’s responsibility under the insurance Due Diligence clauses can be restricted, but a service programme involving scheduled visits during the year ensures that your insurance adviser is kept informed.

We do not doubt that your current advisers have tried to obtain the best terms they can but we believe their approach has failed to address the real problem – improving the reputation/credibility of OWL in the eyes of the international insurance markets.

Insurers offer insurance when they are confident in how the risk is managed,. If they are not adequately informed, or if risk is inadequately managed then obviously insurance terms – if available – are going to be expensive. Underwriters are really backing the quality of risk management – if they are comfortable with how risk is managed they are prepared to underwrite the risk. Uncertainty regarding information about the risks to be insured or the quality of risk /risk management will always be reflected in conservative insurance terms.

The principal risks faced by a dam owner, irrigator and hydro-electricity generator are unique compared with those faced by other businesses. Many of the more serious risk exposures facing dam owners have no solution in the traditional insurance market. It is, therefore, important for the dam owner to understand risks to the business, the options for managing and mitigating risk exposures and also understanding the limitations of insurance policies.

Insurance is only a fallback position for any dam owner. As Willis mentioned at the recent NZSOLD conference, of the principal risks facing most dam owners, insurance responds to only a few. Insured or not, the primary need is to manage risk. Insurance can never be anything but a safety net which is effective in some but not all situations.

3.3 OUTSOURCING

All services indicated in this report will be provided by Willis New Zealand Limited. There will be no outsourcing of services.

3.4 VALUE

We will adopt a risk management-led approach to your risk financing. Willis will obtain a thorough understanding of the risks that face OWL and exactly how these risks are being managed, as detailed previously in this document.

Our expertise in the sector and the understanding we will gain of your risk management will enable us to achieve the very best result from the insurance market for the risks you decide to/can transfer to insurers. Our marketing strategy will improve the reputation/credibility of OWL and deliver significantly improved terms in both premium and policy coverage.

4. SERVICE TEAM

We have selected the following service team for OWL. All members have been specifically chosen for their experience and ability to add real value to OWL:



Our service is delivered by way of a service team for you based in our Christchurch office. Your Client Manager is **Steve Sugrue**, the Willis person who will manage all aspects of your account. **Geoff Broadhead** is the Willis Senior Risk Consultant who has the expertise to understand your industry and will work closely with Steve and the service team.

NAME	RESPONSIBILITIES	EXPERIENCE
Steve Sugrue <ul style="list-style-type: none"> ■ ANZIIF (Snr Assoc) ■ FIBANZ ■ QPIB 	Client Manager Steve will work with OWL and manage all aspects of your account. He is responsible for coordinating our dedicated team of Willis associates and resources.	Steve has over 36 years insurance experience and has had a number of roles both in New Zealand and overseas including managing insurance companies and broking firms. Steve has been with Willis for 14 years and manages our key Corporate clients that have specialist insurance requirements.
Geoff Broadhead <ul style="list-style-type: none"> ■ ACII (UK) ■ CIP (UK) ■ FIBANZ ■ Member, New Zealand Society for Earthquake Engineering; New Zealand Society for Large Dams; New Zealand Society for Risk Management 	Risk Consultant Geoff's role within the team is to identify loss control issues that have relevance to the insurance programme. He also provides information and assistance in the areas of Risk Management and Business Continuity Management.	With over 40 years' experience, Geoff has worked with a wide range of businesses, especially the electricity sector. Geoff has had a long and continuous involvement with the electricity sector ever since the New Zealand Electricity Department was corporatised in 1986, having had, since then, an involvement at some time with virtually every power station in New Zealand (hydro-electric, wind-turbine farms, thermal and geothermal), plus several distribution (lines) companies, including some overseas experience.

5. REMUNERATION

5.1 FULLY TRANSPARENT APPROACH

Willis remains the only global insurance broker that has reaffirmed its stand that contingent commissions represent a conflict of interest with clients and have publicly committed to refuse to accept them for all lines of general insurance.

A satisfactory professional relationship with any client must include financial arrangements which are open and satisfactory to both parties. The service provider must be well motivated and feel they are receiving a fair reward for the effort expended and the skills they are called upon to demonstrate. The client must feel they are receiving quality advice, service and access to resources commensurate with the remuneration paid.

Consulting fees are directly proportional to the experience of the service team proposed for OWL. We have proposed a very experienced service team who will overcome the insurance market challenges and utilise their vast experience in placing and servicing similar risks.

5.2 PROPOSED WILLIS ANNUAL REMUNERATION

SERVICE FEE	
General Broking & Consulting Services	
Covering the activities highlighted in The Willis Service Model and based on the existing policy structure for all New Zealand placed risks.	Willis proposes a fixed fee of \$50,000 plus GST.
Property Underwriting Surveys & Loss Control Reports	
Risk assessment, selected property inspections, underwriting survey, and loss prevention reports.	Included within the General Broking and Consulting fee structure.
Risk Management	
Assistance in identifying and managing risks.	<p>Our services are based on an integrated service delivery, rather than service delivery from separate profit centres. Therefore our service model includes all of the core risk control services (including engineering services which are related to the insurance programme structure/placement, maintenance of the established frequency of site inspections, review from the risk control perspective of new projects, and loss estimates including seismic loss estimates).</p> <p>We recognise that certain projects are required on an ad-hoc basis and therefore it would not be cost-effective to include this under the core fee. In such circumstances an additional fee will be calculated based on the scope of the project, level of resource required, deliverables and timeframe.</p>

APPENDIX

Appendix A: Proposed Service Plan

Willis Client Service delivers a global framework ensuring consistency and compliance across all aspects of our service delivery. The plan below would be further customised to meet the specific requirements of OWL.

PROPOSED SERVICE PLAN FOR OPUHA WATER LTD

1. RELATIONSHIP MANAGEMENT

Responsibility of Geoff Broadhead and Steve Sugrue. This includes general strategy, planning, overseeing and coordinating Willis service responses and liaison with OWL.

2. RISK MANAGEMENT & RISK CONTROL

- Preparation of renewal submission for insurers
- Site inspections (initially annually)
- Accompanying insurance company engineers to Opuha
- Attendance at pre and post renewal meetings plus attendance at scheduled risk management and insurance meetings during the year.
- Preparation of loss estimates for insurers
- Input into 'Overview Report' each year – a brief summary document for OWL Management and Board

3. INSURANCE BROKING

Involvement in part or all of the following:

- Pre-renewal review meeting and agreement with proposed insurance programme and re-marketing strategy
- Preparation of full insurance underwriting information
- Market negotiation
- Documentation including placing slips, insurance manual (summarising the insurance covers purchased)
- Claims procedures – advice
- Agree policy wordings and scope of cover
- Documentation arising from the mid-term alterations/adjustments to the insurance policy
- Attendance at pre and post renewal meetings plus attendance at scheduled meetings during the year
- Claims management:
Included in our proposed annual service fee except in the case of a large complex claim requiring in excess of 24 hours commitment. Any such costs would be pre-agreed with OWL in writing. As a guideline, these costs would be based on \$200/hr in excess of first 24 hours, plus GST. Such claims costs are normally fully recoverable from insurers as part of the claim from insurers.

4. CONSTRUCTION PROJECTS

Scoped and costed dependent upon anticipated service commitment.

5. PAYMENT AGREEMENT

- Annual fee as indicated above
- No additional costs will be charged unless agreed in advance, in writing with OWL
- Our fees include all disbursements
- Fees are payable annually in advance
- All fees indicated are net of GST

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