

FROM THE CHAIR

'Changing of the Guard'

At a function marking his change of lifestyle after 15 years as General Manager of Civic Assurance, Rod Mead received many sincere and warm comments about his contribution to the organisation. Words such as "commitment", "sincerity", "integrity" and "ethical standards" were used by those who spoke in describing Rod's qualities – qualities that have endeared him to local government people around New Zealand and to the staff he has worked with over the years. Under Rod's leadership, Civic has clearly become the pre-eminent provider of insurance and risk financing products for local government in the country. On behalf of the Board of Civic, I wish Rod a long and happy retirement.

We also take the opportunity to welcome Rod's replacement, Tim Sole as the new Chief Executive Officer of Civic. The Board recognised Tim's credentials involving the management of large corporate organisations and his insurance and finance background and look to him to build on the platform created by Rod. It is important that organisations continue to grow and diversify, and under Tim's management we look to continue to provide local government with new, relevant, innovative and well-costed options for managing risk.



Kinsley Sampson
Chairman

Tim Sole

Tim is an actuary and chartered statistician and holds an MBA from Victoria University. Prior to joining Civic he was the Public Trustee and before that the Chief Executive of State Insurance. He has been Chairman of the Life Office Association and Chairman of the Insurance and Savings Ombudsman Board.

Tim's hobby of many years has been recreational mathematics, and in various forms his puzzles books have sold over 300,000 copies. Tim is also the inventor of a number of games. Four pictures from his last book, *Life Is A Journey*, have just been released by Holdsons as jigsaw puzzles under the name of *Essence*.

Tim has an unfulfilled goal of achieving an 18 handicap at golf, and wonders if he ever will having taken 25 years to get it to 22. Nevertheless, he is still trying. He also has another goal of teaching his three children, ages 9, 13 and 15, to drive as soon as possible, so that



he can spend less time taxiing them and more time on the golf course.

Tim is delighted to be joining the Local Government family and in his travels around New Zealand looks forward to meeting as many of you as possible.



'Taking a breather'

After 42 years in the insurance industry, the last 15 as General Manager of Civic, Rod Mead has opted for a quieter life – at least in the short term. Rod prefers not to talk of retirement and refers to the next stage as "taking a breather".

Until 1989, Civic operated without full time insurance staff. Most of the activities of the Company were contracted out. The Directors of the day wisely felt that to ensure that our local authority shareholders had continued long term access to relevant and well costed

insurance products, qualified insurance personnel should be employed. Rod joined the Company at that time.

Rod's contribution to Civic over the years cannot be underestimated. His insight led to the establishment of the LAPP Disaster Fund in 1993 and subsequently to the formation of the Local Government Global Superannuation Scheme, the Local Government Finance Corporation and, working with other interested parties, the Local Government Mutual Funds Trustee Limited (Riskpool). Throughout this period, Civic's core Fire and general insurance portfolio grew substantially.

Rod's legacy is not only the development and growth that occurred over the years of his involvement but the "springboard" he has created for Tim Sole and others following him to ensure that Civic continues to provide measurable benefits for local authorities in New Zealand.

Along with his local authority friends and his colleagues in the insurance industry, the staff at Civic Assurance wish Rod and Bunty a very rewarding "breather".

Some of Rod Mead's thoughts and observations of his 15 years at Civic appear on the back page of this newsletter.

Farewell Neil

Our North Island superannuation representative, Neil Tunnicliffe has decided to retire at the end of this year. Neil has been involved with the Local Government Global Superannuation Scheme since it was established in 1991 when he was working for the AMP who were the initial Capital Assured Investment Managers.

Five years ago we were fortunate to lure Neil out of early retirement and since then he has done excellent work promoting and developing our scheme throughout the North Island.

Neil has now decided the time has come to become serious about retirement and we wish him the very best for the future.

Neil will continue in his role until the end of 2004 and our plans for replacing him will be advised in due course.

AM Best confirms Civic's financial strength rating

Rating Agency AM Best has re-confirmed Civic Assurance's financial strength rating of 'A (Excellent)' and comments that the outlook is stable. The rating confirms Civic as one of New Zealand's highest rated and secure insurers.

AM Best comment further that: "The rating reflects the company's prudent capitalization, adequate liquidity and underwriting performance." AM Best also took into account Civic's low expense ratio over the past five years and its ability to preserve this as well as its well positioned reinsurance protection.

Local Government can be well satisfied that its own company is so highly rated.

Product Review

FIRE & GENERAL FACILITY

The 2004 June/July renewal cycle treated Civic kindly. Virtually all existing business was retained and some gains were made. For the most part, we were able to renew business without increasing premiums.

The feature of 2004 has been the flood events of February and July in the centre of the country and in the Bay of Plenty respectively. These are exactly the types of occurrences that insurance is designed to pay for and Civic Assurance has been pleased to play its part in the restoration of the affected communities.

LAPP DISASTER FUND

The value and strength of LAPP has been well proven with the floods in central New Zealand in February this year. Total losses for local government's 40% are estimated at around \$5 million. Accumulated equity means that LAPP can easily cater for losses of this type.

The reinsurers' support of the Fund is likely to be enhanced given that in such a major event they will not be called upon to contribute. The losses fall below the deductible level of the reinsurance cover. Clearly the reinsurers' capacity and support will only be required in the event of a really catastrophic earthquake.

RISKPPOOL

The value of this mutual funding vehicle has similarly been underlined over recent years. Contribution increases to members have been very limited at a time when liability insurance premium increases have been severe.

Riskpool currently has a challenge on its hands working through the leaky building environment but again members can be very pleased that they have their own mutual fund to manage the process on their behalf.

LOCAL GOVERNMENT GLOBAL SUPERANNUATION SCHEME

Funds under management are now almost \$14 million. Central Government's move to reintroduce subsidised superannuation to 90,000 plus civil servants at 1 July 2004 has bought the focus onto our scheme. There is no doubt many local authorities are now reviewing their policies on employee benefits.

In anticipation of an increased interest in employee sponsored superannuation, Civic is reviewing Superplan to see how best it can be further improved. More details will be available early next year.

We would welcome enquiries from local authority human resources staff at any time.

Farewell Thoughts

In 2004 as I step down to take a 'breather', I look back on 15 very enjoyable and satisfying years.

- > I have nothing but admiration for those involved all those years ago (CCIC 1941 and MCIC 1960) that had the foresight and vision to establish the sector's own insurance company, which I believe now fulfils an important role for both the local government sector and the New Zealand insurance market.
- > The decision made through the 1990s to establish alternative risk financing facilities to meet the sector's specific needs, have been a particular highlight: I refer to the Local Government Global Superannuation Scheme (1991), LAPP Disaster Fund (1993), and Liability Riskpool, in conjunction with Jardines (1997). Even though Local Government Finance Corporation Ltd, established in 1999, has not had the throughput or margins expected, the reasons for establishing it were sound and the sector has benefited through its presence in the market.
- > The 'mutual', 'cooperative', 'pooling' benefits of Civic and the associated entities have been recognised by so many local authority representatives. The support you have provided and the confidence you have shown in us have been the cornerstone of the Company's success.
- > I have valued greatly the relationship with so very many people I have been fortunate to work with and come into contact with over the years. This includes not only our partners within the insurance industry, but local authority management and elected representatives that have extended courtesies to me during the many sequences of

visits made around New Zealand, the Directors and Trustees of our various entities with whom I have worked with over the years, and the staff and executive members of the local government entities such as SOLGM, LGNZ, ALGIM, INGENIUM, LGITO, and LGOL

- > I want to also thank Civic staff who I have worked with over the years. Their support, companionship and friendship will always be right up there in terms of my career highlights and memories

Finally, I look forward to keeping up to play on the inevitable positive progress of the Civic group over the years ahead. I wish all involved in the future with this very special group every success. I count myself fortunate to have worked with this unique blend of the insurance industry and the local government sector.

Rod Mead
General Manager, Civic Assurance (1989 - 2004)

Farewell Belinda Welcome Sarah

Our Popular Personal Assistant for several years, Belinda Twose has opted to experience life in Auckland and left us in September. We thank Belinda for the valuable contribution she made while with us and wish her all the best for the future.

Sarah Burtonwood joined Civic in September as Personal Assistant replacing Belinda. Many local authority people will get to know Sarah through her front line duties and particularly her involvement with the Global Superannuation Scheme. The staff at Civic welcome Sarah and look forward to working with her.

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