

APPROVAL AS APPROVED AGENCY

FITCH AUSTRALIA PTY LIMITED

Insurance Companies (Ratings and Inspections) Act 1994 ("the Act")


I, Neville Harris, Registrar of Companies, being satisfied that:

1. Fitch Australia Pty Limited has entered into a Deed of Agreement with the Insurance Council of New Zealand Incorporated ("the Insurance Council"), as to the method to be adopted and the criteria to be used in determining ratings to be given to insurers under the Act, dated 24 August 2007 ("the agreement").
2. Insurers that are required to have a rating under the Act, but who are not members of the Insurance Council, were consulted as to the terms of the agreement.
3. A recommendation has been received from the Insurance Council dated 17 August 2007.

HEREBY renew the approval of Fitch Australia Pty Limited as an approved agency for the purposes of the Act.

This approval is for the term of three years from 24 August 2007 to 24 August 2010.

Dated this *22nd* day of August 2007.



Neville Harris
Registrar of Companies

INSURANCE
COUNCIL
OF NEW ZEALAND INC

DEED of AGREEMENT dated 24 August 2007

PARTIES

- 1 Fitch Australia Pty Limited. ("Agency")
- 2 THE INSURANCE COUNCIL OF NEW ZEALAND, INC., an incorporated society at Wellington ("Council")

BACKGROUND

- A The Agency is currently an approved agency pursuant to Section 17 of the Insurance Companies (Ratings and Inspections) Act 1994 (the "Act"), having entered into a Deed of Agreement (the "Agreement") dated 24 August 2004 between the Agency and the Council as required by the Act.
- B The Agency's approval and the Agreement are due to expire on 24 August 2007
- C The parties wish to renew the Agreement to enable the Agency to be eligible for approval as an approved agency for a further three year period.

COVENANTS

- 1 The parties hereby agree to the terms set out in the Deed of Agreement below.
- 2 The term of the Agreement shall take effect from the date of approval of the Agency as an approved agency by the Registrar pursuant to the Act and shall terminate upon the expiry or earlier termination of that approval.

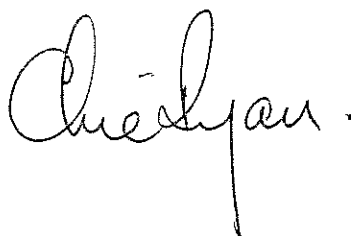
The Common Seal of
FITCH AUSTRALIA PTY LIMITED.
was affixed hereto in the
presence of:

A Smith
Andrew D. Smith
Managing Director



C. I. Hewitt
(C. I. HEWITT - SECRETARY)

The Common Seal of
THE INSURANCE COUNCIL
OF NEW ZEALAND, INC.
was affixed hereto in the
presence of:

A handwritten signature in cursive script, appearing to read "Christyau", followed by a period.

SCHEDULE**PART A****TERMS**

- 1 The Insurer shall:
 - 1.1 Provide to the Agency such information as is deemed necessary by the Agency to complete the rating process. Such information will include, but not be limited to:
 - (a) periodic financial statements;
 - (b) details and explanation of the Insurer's:
 - (i) Corporate structure and history;
 - (ii) Ownership structure and relationship with its Holding Company or controlling company;
 - (iii) Management and corporate strategy;
 - (iv) Underwriting activities;
 - (v) Outstanding claims provisions;
 - (vi) Unearned Premiums;
 - (vii) Reinsurance arrangements;
 - (viii) Investment activities;
 - (ix) Liquidity;
 - (x) Debt;
 - (xi) Capital; and
 - (xii) Earnings Performance;
 - (c) copies of:
 - (i) constitutional documents;
 - (ii) statutory or Council solvency returns;
 - (iii) reinsurance treaties;

- (d) any other information the Insurer believes or ought reasonably to believe is relevant to the rating process;
 - (e) all other information requested by the Agency.
- 1.2 Make available to the Agency for interview such senior executives as deemed necessary by the Agency to complete the rating process, or enable it to monitor or assess the Insurer's financial position at any time.
- 1.3 Once the Rating has been assigned and for such time as the Rating remains current, provide to the Agency:
- (a) copies of all public statements and published financial statements and accounts of the Insurer;
 - (b) notice of any events or copies of any information which:
 - (i) could have a material effect on the financial position or business of the Insurer;
 - (ii) could have a material effect upon the Rating or the Insurer's ability to meet any obligation pursuant to a contract of insurance;
 - (iii) materially affects, varies or conflicts with any information previously provided to the Agency including, without limitation, the information disclosed pursuant to Clause 1.1 of Part A of this schedule;
 - (c) any information requested by the Agency to enable it to effectively monitor the Insurer's financial performance and position.
- 1.4 The information to be collected pursuant to clause 1.1(b) of Part A of this schedule may be collected by means of a questionnaire. The Agency's current form of questionnaire is set out for the purposes of illustration in Appendix 1. The Agency's form or questionnaire does not form part of this Deed or its schedules and may be varied or substituted from time to time upon notice to the Registrar, the Council and the Insurer in accordance with clause 7 of the Deed.

2 Procedure

- 2.1 The Agency will, in accordance with the methodology and criteria set out in Part B of this schedule, prepare a rating report based upon the information collected by the Agency concerning the Insurer, its re-insurers or other relevant matters, (whether obtained pursuant to clause 1 of Part A of this schedule or otherwise). The Agency will not be limited in the source of information or nature of information it collects or considers.
- 2.2 The rating report will be provided to the insurer:
- (a) on or within a reasonable time after first entry into the Agreement, not exceeding 40 working days;

- (b) within 20 working days of the annual rating renewal date.

The insurer will have the opportunity to discuss and comment upon the report with respect to its factual accuracy.

- 2.3 The Agency will (subject to clause 2.4 of Part A of this schedule) within 15 working days following delivery of the report referred to in clause 2.2 of Part A of this schedule assign a Rating to the Insurer and deliver to the Insurer:

- (a) A certificate of the Rating that also states the date on which the Rating was given;
- (b) If it has not previously been delivered by the Insurer for registration with the Registrar, pursuant to section 6 of the Act, a copy of the rating scale of which the Rating forms part;
- (c) If it has not previously been delivered by the Insurer for registration with the Registrar pursuant to section 6 of the Act, an explanation of the rating scale.

- 2.4 Should any Insurer wish the Agency to re-examine the Rating assigned, the Insurer must provide notification and grounds of the appeal to the Agency within 2 working days following delivery of the Rating. It will be at the Agency's sole discretion as to whether or not an appeal of the Rating warrants amendment of the Rating. Should the Agency determine that the Rating requires amendment the Agency will amend the Rating and within a reasonable time after notification of the appeal, usually not exceed 20 working days, deliver to the Insurer the items set out in clause 2.3(a) to (c) of Part A of this schedule (inclusive).

- 2.5 The Agency may from time to time set out the details of its rating procedure (such details not to be inconsistent with the terms of the Deed and its Schedules) in a guide or on the Agencies website (<http://www.fitchratings.com.au/insuranceresearchlist.asp>). The current form of the Agency's "A Guide to Analysis of Insurer Financial Strength" is set out for the purposes of illustration in Appendix 2. The Agency's "A Guide to Analysis of Insurer Financial Strength" does not form part of the Deed or its schedules and may be varied and/or substituted from time to time upon notice to the Registrar, the Council and the Insurer in accordance with clause 7 of the Deed.

3 Registration and Publication

- 3.1 The Insurer shall within 5 working days of receiving the Rating from the Agency pursuant to clause 2.3 of Part A of this schedule, deliver the Rating to the Registrar for registration pursuant to section 6 of the Act and otherwise disclose the Rating as required by the Act.
- 3.2 The Insurer shall be entitled to otherwise use, publish or disclose the Rating (as a Rating obtained pursuant to the Act).

3.3 The Agency will within 5 working days notify the Registrar of the delivery to each Insurer of a rating pursuant to clause 2.3 of Part A of this schedule.

3.4 The Agency will, subject to the discretion of the Insurer set out in clause 3.2 of Part A of this schedule have the right to use and publish or license others to publish the Rating, the rationale for the Rating and (in the case of non-public information, subject to first obtaining approval of the Insurer) any information provided to the Agency pursuant to clause 1 of Part A of this schedule. The Agency will keep in confidence any information marked or advised as being proprietary.

4 **Fees**

4.1 The Insurer will pay to the Agency such fees as are negotiated separately between the Insurer and the Agency.

4.2 Payment of fees by the Insurer is to be made within 20 working days of completion and delivery of the rating report, unless a separate payment basis is agreed between the insurer and the Agency.

5 **Monitor and Review**

5.1 The Agency will monitor the affairs of the Insurer throughout the term of the Current Rating and if circumstances occur which the Agency believes justify review of the Rating, the Agency will notify the Insurer and may place the Insurer on any credit review, credit watch, rating watch or credit warning list published by the Agency and shall within 5 working days of notifying the Insurer, provide to the Insurer for registration with the Registrar pursuant to section 6 of the Act a Certificate of the Credit Watch or Rating Watch Warning that also states the date upon which it was given and the reasons for it.

5.2 The Agency will within 5 working days of notification to the Insurer that a Credit Watch or Rating Watch Warning has been given, notify the Registrar of the giving of that notice.

5.3 The Agency will review and assign a fresh Rating of the Insurer in accordance with the procedure set out in clause 2 of Part A of this schedule and the methodology and criteria set out in Part B of the schedule either:

- (a) upon occurrence of circumstances described in clause 5.1 of Part A of this schedule; or
- (b) for so long as the Agreement continues, prior to expiry of the Current Rating, so that the Rating is delivered to the Insurer on or before expiry of the Current Rating.

6 **Acknowledgement**

6.1 The Insurer acknowledges that:

- (a) The Rating assigned to the Insurer reflects only the Agency's then current opinion of the Insurer's financial capacity to meet its obligations under its insurance contracts in accordance with their terms;
- (b) the Rating is not an audit of the Insurer by the Agency and the Agency is not acting as advisors to the Insurer. Nothing in this Agreement is intended to or should be construed as creating a fiduciary relationship between the Agency and the Insurer or the recipients of the Rating;
- (c) the Rating is not a market rating, nor is it a recommendation to buy, hold or sell any financial or insurance obligation of the Insurer;
- (d) the Agency relies upon information supplied by the Insurer. If this information is (in the Agency's opinion) inaccurate or incomplete the Rating provided may be affected;
- (e) the Agency does not audit, verify or guarantee the accuracy or completeness of any information (including information obtained from third party sources) relied upon in connection with the rating and surveillance process;
- (f) the Agency may raise, lower, or review the Rating at any time at its sole discretion (and without limitation may do so if the Insurer fails to provide complete or accurate information).

7 Indemnity

- 7.1 The Insurer shall indemnify and keep the Agency indemnified against any losses, damages, liabilities, costs, charges and expenses (including reasonable legal costs) arising out of any claim relating to the accuracy, or completeness of the information provided to the Agency by or on behalf of the Insurer.

8 Term

- 8.1 The Agreement shall continue until terminated;
- (a) by either party upon 90 working days notice;
 - (b) automatically upon expiry or earlier termination of the approval of the Agency as an Approved Agency by the Registrar pursuant to the Act.
- 8.2 Termination of the Agreement will not prejudice:
- (a) the provisions of clauses 6 and 7 of Part A of this schedule which shall survive termination;
 - (b) the Insurer's liability for payment of the fee prescribed by clause 4 of Part A of this schedule up to the date of termination.

9 Assignment

- 9.1 The Insurer may not assign the Agreement without the prior written consent of the Agency.

10 **Governing Law**

- 10.1 The Agreement shall be governed and construed in accordance with the Law of New Zealand and both parties submit to the non-exclusive jurisdiction of the Courts of New Zealand.

PART B

METHODOLOGY AND CRITERIA

1 Collection of Information

- 1.1 The Agency will collect such information from the Insurer and third parties as considered necessary by the Agency to complete the rating process and effectively monitor the Insurer's performance and financial position (including, without limitation, the information set out in clause 1 of Part A of this schedule).
- 1.2 The Agency will meet with senior representatives of the Insurer at regular intervals as considered necessary by the Agency to complete the rating process and effectively monitor the Insurer's performance and financial position.

2 Analysis of Information

- 2.1 The Agency will undertake detailed analysis of the information provided and other information collected as considered necessary by the Agency to complete the rating process. It is noted that the rating process embraces both qualitative and quantitative issues, which include;
- (a) consideration of the Insurer's market position, profitability, underwriting standards, reserving policy, business and strategic plans and products;
 - (b) analysis of the Insurer's cash flow, use of debt, earnings protection financial flexibility, use and quality of reinsurance and accounting and tax policies;
 - (c) consideration of the Insurer's targeted financial position, targeted market position by product or region, leverage, acquisition and growth policy and planning process;
 - (d) consideration of the Insurer's asset allocation strategy, investment policies and performance.

3 Criteria

- 3.1 The Agency will assign a Rating to the Insurer in accordance with the following criteria:
- (a) Industry risk including threat of new entrants, substitute products, competition within the industry, supply and demand positions;
 - (b) Management and corporate strategy including strategic positioning, operational skills, financial risk tolerance and organisational structure;
 - (c) Business review including products, services, their distribution and their revenue generation;

- (d) Operational Analysis including underwriting performance and investment activities;
- (e) Capitalisation, leverage, borrowings and reserves;
- (f) Reinsurance portfolios and policy;
- (g) Liquidity;
- (h) Financial flexibility including capital requirements and capital;
- (i) the nature and strength of the Insurer's relationship with its Holding Company and the willingness and capacity of that Holding Company to support the Insurer and, if the Holding Company has legally and enforceably assumed or guaranteed on an unconditional basis all the obligations of the insurer to pay all claims (existing, unreported and future) under all contracts of insurance entered into by or on behalf of the Insurer, the net assets and undertaking of the Holding Company which may be included in any quantitative analysis.
- (j) Accounting and actuarial policies, including the valuation and determination of assets and liabilities.

4 Ratings

4.1 The Rating assigned by the Agency will be an Insurer Financial Strength rating applying to the Insurer's general insurance obligations utilising the Agency's Insurer Financial Strength rating scale as follows:

AAA

Exceptionally strong. Insurers assigned this highest rating are viewed as possessing exceptionally strong capacity to meet policyholder and contract obligations. For such companies, risk factors are minimal and the impact of any adverse business and economic factors is expected to be extremely small.

AA

Very strong. Insurers are viewed as possessing very strong capacity to meet policyholder and contract obligations. Risk factors are modest, and the impact of any adverse business and economic factors is expected to be very small.

A

Strong. Insurers are viewed as possessing strong capacity to meet policyholder and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be small.

BBB

Good. Insurers are viewed as possessing good capacity to meet policyholder and contract obligations. Risk factors are somewhat high, and the impact of any adverse business and economic factors is expected to be material, yet manageable.

BB

Moderately weak. Insurers are viewed as moderately weak with an uncertain capacity to meet policyholder and contract obligations. Though positive factors are present, overall risk factors are high, and the impact of any adverse business and economic factors is expected to be significant. **B**

Weak. Insurers are viewed as weak with a poor capacity to meet policyholder and contract obligations. Risk factors are very high, and the impact of any adverse business and economic factors is expected to be very significant.

CCC, CC, C

Very weak. Insurers rated in any of these three categories are viewed as very weak with a very poor capacity to meet policyholder and contract obligations. Risk factors are extremely high, and the impact of any adverse business and economic factors is expected to be insurmountable. A 'CC' rating indicates that some form of insolvency or liquidity impairment appears probable. A 'C' rating signals that insolvency or a liquidity impairment appears imminent.

DDD, DD, D

Distressed. These ratings are assigned to insurers that have either failed to make payments on their obligations in a timely manner, are deemed to be insolvent, or have been subjected to some form of regulatory intervention. Within the 'DDD'-'D' range, those companies rated 'DDD' have the highest prospects for resumption of business operations or, if liquidated or wound down, of having a vast majority of their obligations to policyholders and contract holders ultimately paid off, though on a delayed basis (with recoveries expected in the range of 90%-100%). Those rated 'DD' show a much lower likelihood of ultimately paying off material amounts of their obligations in a liquidation or wind down scenario (in a range of 50%-90%). Those rated 'D' are ultimately expected to have very limited liquid assets available to fund obligations, and therefore any ultimate payoffs would be quite modest (at under 50%).

Notes:

"+" or "-" may be appended to a rating to indicate the relative position of a credit within the rating category. Such suffixes are not added to ratings in the 'AAA' category or to ratings below the 'CCC' category.

Ratings of 'BBB-' and higher are considered to be "secure", and those of 'BB+' and lower are considered to be "vulnerable".